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Further on Pre-APEC Senior Officials Meeting

Thai Businessman Program Adopted

BK0911013794 Bangkok BANGKOK POST in English 9 Nov 94 p 10

[Report by BANGKOK POST reporters in Jakarta]

[FBIS Transcribed Text] Senior officials of the Asia Pacific Economic Cooperation (APEC) group yesterday adopted the Thai premier's proposal for a Business Volunteer Programme. They called for further study of Japanese Prime Minister Tomiichi Murayama's proposal for a "Partnership for Progress" among the 18 members.

On the first day of their meeting, the officials decided to ask their ministers to endorse Prime Minister Chuan Likphai's proposal at last year's APEC leaders' summit in Seattle for the volunteer programme, said Sukhum Ratsamithat, director-general of the Economics Department of the Thai Foreign Ministry.

The programme features an exchange of businessmen from developed members who would provide technical and management know-how to industries in less-developed nations. The programme will start in January, when each member prepares a list of focal points and priorities.

For example, the Thai Foreign Ministry will work with the Thai private sector through four organisations: the Thai Chamber of Commerce, Thai Lawyers' Association, Federation of Thai Industries and Tourism Authority of Thailand.

Japanese Proposal Deferred

BK0911022694 Bangkok THE NATION in English 9 Nov 94 p B2

[Report by Chirawat Na Thalang and Atchara Phongwutthitham]

[FBIS Transcribed Text] Jakarta—Senior officials from Asia Pacific Economic Cooperation (Apec) yesterday decided to put off a Japanese proposal to set up a special working panel, called "Partner for Progress", to work on APEC cooperation in human resource development.

The APEC senior officials declined to accept the Japanese proposal, which aims to create a working group to deal with human resources development, which Thailand supports. The APEC senior officials argued that they did not have enough time during this meeting to discuss the proposal.

The majority of APEC senior officials, instead, suggested the Japanese officials put forward the matter for discussion next year, according to Sun Joun Yung, assistant minister for economic affairs at the Korean Foreign Ministry.

There is also a concern that the working group might duplicate the work of the already established human resources development committee and the small and medium enterprises committee.

APEC senior officials yesterday started a meeting to discuss the recommendations made by the APEC Committee on Trade and Investment. Kroekkrai Chiraphaet, director-general of the Business Economics Department, said that the senior officials have not yet agreed on the draft of the Committee on Trade and Investment. He said that the Thai delegate said at the meeting that the trade and investment regulation was not a priority for foreign investors when they considered where to invest in the region, but rather the social conditions in each country.

Secondly, Thailand suggested the future work programme of APEC should have a specific time frame and should really serve the needs of the private sector. Moreover, the APEC senior officials should give approval for any new committee to be set up under the umbrella of APEC to avoid a situation whereby the APEC forum might expand aimlessly with no specific framework.

Sukhum Ratsamithat, chief Thai delegate at the senior officials forum, said that APEC officials have also agreed to upgrade an ad-hoc committee on macro economic trends to an economic committee to enable the APEC members to exchange views on financial policies.

The new economic committee will be officially announced at the APEC summit in Bogor on Nov 15.

"The level of economic development among APEC members is so diverse that it is almost impossible for them to coordinate financial and monetary policy," he explained.

Liberalization Deadline Discussed

BK0911090994 Jakarta Radio Republik Indonesia Network in Indonesian 0700 GMT 9 Nov 94

[FBIS Translated Text] Listeners: We now take you to the RRI [Radio Republik Indonesia] ministudio at the Jakarta Hilton Convention Center to hear a bulletin and report on the APEC [Asia-Pacific Economic Cooperation] activities:

[Begin correspondent recording] [Words indistinct] there was a problem regarding the two deadlines for the liberalization of trade in the Asia-Pacific region; that is, the year 2010 for the developed nations and the year 2020 for developing nations. South Korean delegate Son Chun-yong said the deadlines will definitely pose a problem for the developing nations; for example, China is currently embarking on general economic reforms. Therefore, South Korea wants to take a look at the blueprint and proposes that APEC make a concrete decision concerning the deadline for trade liberalization.

Meanwhile, U.S. delegate Sandy Christopher said her side wants a definite deadline for trade liberalization for all APEC member countries. In the future, the APEC region could grow into a strong economic region if the countries continue to consolidate their efforts.

Juan Salazar, Chile's director general of international trade relations, said every APEC member country has different methods and opinions and these differences are considered very important. According to Juan Salazar, in consideration of APEC's future interests, this region should maintain its solidarity and openness. Considering this fact, Chile wants to be affiliated with APEC by carrying out a more liberal trade policy. It does not want to create a trade bloc that could in turn isolate Chile.

The foreign media have been carrying positive reports in connection with the holding of the APEC summit in Indonesia. Ishadi Asgar, the head of the Press and News Office in the National Committee for the APEC Summit, made this evaluation to Radio Republik Indonesia after the high-level Senior Officials Meeting [SOM] this morning. He said that even though the Western media have presented balanced reporting all along—some positive and some negative—60 percent of the reports presented on APEC have been of a positive nature. This is due to the fact that Indonesia obtained positive support for hosting the summit. It is hoped that the summit could bring about something very significant for APEC's future. Replying to questions about the possibility of negative reports on the upcoming APEC summit on 15 November in Bogor, Ishadi said this issue depends on the APEC leaders' statements and attitudes when they hold their bilaterla meetings in Jakarta. [end recording]

Listeners: This morning, SOM officials deliberated on various issues brought forward from yesterday's discussions. Several issues that were discussed at the SOM today, the second day of the session, are reported by the RRI coverage team:

[Begin correspondent recording] The high-level SOM meeting entered its second day today. During today's meeting, which began this morning, discussion centered on issues brought forward from yesterday's session [words indistinct] in connection with trade and investment, [words indistinct] at the ministerial level APEC meeting and [words indistinct]. [end recording]

The APEC senior officials discussed several important issues this morning, including among other things the issue of human resources. No consensus was reached on this issue at yesterday's meeting, and the issue was recommended for discussion at the upcoming ministerial meeting. The issue involves cooperation in education and work training and the improvement of management and human resources in general. Apart from this, the forum also received a report on the functions of the secretariat.

Leaders To Rule on EPG Existence

BK0911014894 Bangkok BANGKOK POST in English 9 Nov 94 p 10

[Report by BANGKOK POST reporters in Jakarta]

[FBIS Transcribed Text] Senior officials from 18 members of the Asia Pacific Economic Cooperation group have left it to their leaders to decide whether the Eminent Persons' Group [EPG] should stay in existence and, if so, what its new task would be.

Moves are under way to keep the Eminent Persons' Group (EPG), theoretically to disband upon completion of its report on free and open trade in Asia and the Pacific, for new assignments as APEC evolves. But ASEAN economic ministers agreed at their annual meeting in Chiang Mai in September that the EPG should be dissolved when it completed mapping the future of APEC.

The ASEAN members are part of APEC which includes Australia, Canada, China, Hong Kong, Japan, Korea, Mexico, New Zealand, Papua New Guinea, Taiwan and the US, with Chile to be admitted at this year's ministerial meeting.

Those advocating continuation of the EPG said it could be entrusted with monitoring and analysing the work of APEC as well as examining possible APEC links with other regional trade arrangements such as the ASEAN Free Trade Area or the North American Free Trade Area, according to delegates.

President Suharto of Indonesia is said to favour the EPG's being assigned these two tasks. Non-ASEAN countries are unlikely to object. APEC senior officials yesterday discussed both the content of the EPG report on APEC, as well as the fate of the group itself, a Korean delegate said.

"The outcome (on the EPG) is inconclusive. It's up to the leaders to decide," he said.

Advocates argued that if their leaders were to endorse APEC-wide free trade, what transpired could overwhelm smaller arrangements such as the ASEAN Free Trade Area. The EPG could study this.

The Pacific Business Forum, which groups business leaders from the region, also proposes the formation of an advisory body similar to the EPG.

Contention persisted yesterday over United States' opposition to what it calls a diluted version of the draft of non-binding principles of investment. These are to create greater investment flow in the region.

The 17 other members reportedly agreed to the draft. Senior officials have today and tomorrow to finish their work on the draft.

The US wants a guarantee of "high standards" that provide best terms for unconditional national treatment of one another's goods, repatriation of profits and full elimination of performance requirements.

Senior officials adopted an Indonesian proposal on improvement of public and commercial infrastructure in the region.

The proposal called for public-private sector dialogue to tackle infrastructure bottlenecks that constrained economic activities, Indonesia's Public Works Department secretary-general Ruslan Diwiryo said.

—Taiwanese president Li Teng-hui bowed out of a bid yesterday to attend the APEC forum because of pressure from rival China. The president's office said in a statement that the head of Taiwan's economic planning agency, Vincent Siew, would represent Li for the second consecutive year at the meeting.

"President Li decided to assign Vincent Siew, chairman of the cabinet's Council for Economic Planning and Development to attend the sixth APEC leaders' meeting," the statement said. The statement was released after Li held a meeting with a special envoy sent by Indonesian President Suharto to Taiwan. Details of that meeting were not disclosed.

Taiwan had long expressed its wish that Li attend a full forum of APEC leaders in Bogor, Indonesia on November 15 but China objected strongly.

Earlier this year, China also used its influence to bar Li from attending the Asian Games in Japan and successfully blocked Taipei's bid to rejoin the United Nations.

Beijing considers Taiwan a renegade province of China and tries to prevent its leaders from taking part in any international forum.

Siew, who last year also had to attend the forum instead of Li, said he would protest when he got to APEC, a trade body grouping 17 Pacific Rim countries including the United States, Australia and southeast Asian nations.

"The person who goes in President Li's place would definitely express our regret at an appropriate time," Siew told a news conference.

Taiwanese Premier Lien Chan expressed anger at China's actions.

"Communist China takes a hegemonistic attitude in handling such an important subject involving the development of the country and the people. It will not see any progress," Lien told parliament.

EPG Prefers Free Trade Via GATT

BK0911025894 Bangkok THE NATION in English 9 Nov 94 p A7

[FBIS Transcribed Text] The Eminent Persons Group [EPG] is not proposing the creation of an Asia Pacific Free Trade Area. It advocates the ultimate achievement of free trade in the region. It will do so with the greatest possible emphasis on reaching the goal through multilateral liberalization in the General Agreement on Tariffs and Trade. Moreover, EPG's proposals for implementing APEC's [Asia Pacific Economic Cooperation] "open regionalism" concept imply that the "region" in which free trade and investment result directly from APEC initiatives could extend well beyond the geographical boundaries of the APEC membership itself.

The EPG believes that regional liberalization can play a major role in that process. The EPG's chief goal is in fact for APEC to be a building block for an open, globally oriented trade regime. It proposes a strategy that will give substance to the APEC credo of "open regionalism."

[Footnote] Source: The APEC Eminent Persons Group

Senior Officials Form Task Force

BK0911122394 Jakarta ANTARA in Indonesian 0817 GMT 9 Nov 94

[FBIS Translated Text] Jakarta, 9 Nov (ANTARA)—On its second day of meetings in Jakarta on Wednesday, the Fourth Senior Officials Meeting (SOM) agreed to the formation of a task force that will increase the Secretariat's effectiveness and functions.

Tony Miller, the head of Hong Kong's delegation to the Fourth SOM, said all the delegates considered the formation of the task force as important taking into account APEC's [Asia-Pacific Economic Cooperation] wide-ranging and developing agenda.

According to him, the task force will assist in making the Singapore-based Secretariat's role more effective. A more detailed discussion on the issue will be held at the next SOM in the middle of next year.

He said the formation of the task force does not mean that the APEC working mechanism will be drawn up by a Secretariat, as in the case of other international organizations.

He said: "We do not want APEC's process to be drawn up by a Secretariat as in other international organizations. APEC started off with a very small Secretariat managed only by ministers and senior officials from its member countries."

Meanwhile, Hadi Susastro, a representative from the Pacific Economic Cooperation Council (PECC), said the effort to increase the Secretariat's effectiveness and functions was not aimed at institutionalizing APEC.

He added that a Secretariat is, in fact, part of APEC's constitution.

Tony Miller, who is also director general of trade in Hong Kong's Trade Department, said the problem of not achieving consensus on the non-binding investment [preceding three words in English] principles has become the most important topic of discussion at the Fourth SOM.

The issue, besides being discussed during the first day of the Fourth SOM, was discussed by delegates outside the meeting.

He said: "I am optimistic, however, that a consensus on the issue will be reached before the Fourth SOM concludes."

The meeting of APEC's Committee on Trade and Investment (CTI) failed to achieve any consensus on the "non-binding investment" [preceding three words in English] principles because the U.S. delegate did not agree to three of the 12 principles; namely, national treatment, performance requirements, and repatriation and convertibility.

When contacted, Sandra O'Leary, the U.S. delegate to the Fourth SOM, declined to comment on the U.S. stand.

Speaking briefly, she said: "We have to wait for the outcome of the upcoming meetings. It would be meaningless to discuss this issue."

Second Day Activities Detailed

BK0911103594 Jakarta ANTARA in Indonesian 0731 GMT 9 Nov 94

[FBIS Translated Text] Jakarta, 9 Nov (ANTARA)—The Senior Officials Meeting (SOM) within the APEC [Asia-Pacific Economic Cooperation] framework, which entered its second day today, considered the need to guarantee the return of investment [preceding three words in English] to members of the private sector that make investments in any country within the Asia-Pacific region.

Speaking to reporters in Jakarta on Wednesday, Bahrum S. Harahap, Indonesia's delegation leader at the SOM, said: "The guarantee is viewed as important considering the private sector's major role in fulfilling the investment targets in the Asia-Pacific region, particularly in the developing countries."

The return of investments to the private sector mostly concerns investments made for the development of the infrastructure, currently a major and important need of the developing countries.

As such, each country needs to make its own decisions on its domestic economy to bring about benefit for the private sector.

Bahrum said the SOM reminded every country of the need to control foreign investment so that consumers will not be burdened by products and services provided by the investment projects.

Bahrum, who is concurrently the third assistant coordinating minister for industry and trade, said: "In particular, the SOM hopes that every country will be able to control the price of services so that consumers will be able to afford such services."

He said Indonesia happily welcomes the wise proposal by the SOM because the government is always attempting to improve the climate for domestic investments, particularly in its effort to attract more foreign investment to the infrastructure sector.

The world forum on infrastructure, held recently in Jakarta, also recommended that every Asian country provide opportunities for the private sector to investment in the infrastructure sector.

According to Bahrum, the need for private sector investments in the infrastructure sector was not only considered by the developing countries, but also by their developed counterparts such as the United States and Japan because the infrastructure sector can further accelerate the economic growth of these countries.

He added: "With the existence of APEC, investment cooperation in the infrastructure sector can be realized."

When asked if the issue of trade liberalization would be discussed during the second day of the SOM meeting, Hadi Susastro, an economic observer who represents the Pacific Economic Cooperation Council, PECC, said the issue had not been discussed in detail at the meeting.

He said it was important to understand that APEC covers all aspects of cooperation, including cooperation in development and the development of human resources.

Hadi said: "As such, APEC is not just connected with trade issues. It will not use all of the time available to deliberate the issue of trade liberalization, which is expected to be implemented by the year 2020."

Investment issues were not discussed at the Fourth SOM in Jakarta because no consensus was reached during the recent pre-SOM meetings. There was no consensus reached on three of the 18 issues discussed.

According to South Korean delegate Son Chun-yong, who chaired the pre-SOM Committee on Trade and Investment (CTI) meeting, the issue on investment will be discussed during the upcoming 11-13 November 1994 ministerial meeting. He said: "However, the final decision will be similar to the first; that is, no consensus will be reached. Let the ministerial meeting make the decision."

Japan's Hashimoto Arrives for APEC Summit

OW0911100694 Tokyo KYODO in English 0944 GMT 9 Nov 94

[FBIS Transcribed Text] Jakarta, Nov. 9 KYODO—Japanese Trade Minister Ryutaro Hashimoto arrived

Wednesday [9 November] in Jakarta to attend a ministerial meeting of the Asia-Pacific Economic Cooperation (APEC) forum.

Hashimoto, head of the Ministry of International Trade and Industry, will meet colleagues from APEC member countries and territories in the Indonesian capital Friday and Saturday, aiming to design a grand new vision for free trade and investment in the Asia-Pacific region.

Hashimoto, along with Foreign Minister Yohei Kono who will leave Tokyo on Thursday, will represent Japan at the sixth ministerial meeting of APEC. The conference is part of an APEC session that began Tuesday with a senior officials' meeting and will culminate in an informal summit meeting of APEC leadeext Tuesday.

APEC ministers are expected to pledge mutual cooperaqion and commitment in a joint statement toward achieving the ambitious goal of realizing a free trade zone in the Asia-Pacific area by removing tariff and nontariff trade barriers. But setting a target date for trade liberalization will be left to discussion at the informal APEC summit to be held in Bogor, a resort city some 50 kilometers away from Jakarta, under the leadership of Indonesian President Suharto, the host of the summit.

The joint statement of the ministerial meeting will include a declaration on human resources development in the Asia-Pacific area. Two other declarations will be also adopted in the statement—one seeking the unification of standards and certificates in trade and investment, and the other proposing a set of trade facilitation measures.

An updated draft of the Bogor Declaration to be issued by APEC leaders, which was obtained by KYODO News Service on Monday, says the leaders call for the Asia-Pacific region to shift to a free trade zone by the year 2020, with developed and newly industrializing economies completing the liberalization process by 2010. During his stay in Jakarta, Hashimoto plans to meet U.S. Trade Representative Mickey Kantor and U.S. Commerce Secretary Ron Brown on Thursday.

Foreign Minister Kono is scheduled to meet Kantor on Sunday. His meeting with U.S. Secretary of State Warren Christopher is set for Saturday.

Japanese Prime Minister Tomiichi Murayama will leave Tokyo on Saturday. Before attending the Bogor Summit, he will hold separate meetings with U.S. President Bill Clinton, Chinese President Jiang Zemin, South Korean President Kim Yong-sam and Indonesian President Suharto.

APEC groups Aulia, Brunei, Canada, China, Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, the Philippines, Singapore, South Korea, Taiwan, Thailand and the United States. Chile will become a full member at the coming ministerial meeting.

Singapore Premier Interviewed on APEC Issues

OW0911105694 Tokyo KYODO in English 1043 GMT 9 Nov 94

[By Siti Rahil Dollah]

[FBIS Transcribed Text] Jakarta, Nov. 9 KYODO—Singaporean Prime Minister Goh Chok Tong said he strongly supports trade and investment liberalization within the Asia-Pacific Economic Cooperation (APEC) forum and wants APEC to achieve free trade before the proposed 2020 deadline. In a written reply to questions sent by KYODO News Service, Goh said APEC leaders at the informal leaders' summit in Bogor, Indonesia, next week, should commit to work toward the goal of free trade in the region by the year 2020. He said an Eminent Persons Group (EPG) proposal for free trade among APEC members is a workable model of "open regionalism."

"It will not raise new barriers but seeks to lower them, both within and outside APEC. The trade liberalization program is imaginative and forward looking. It reconciles diverse interests within APEC, and gives each member flexibility to work out its liberalization schedule," he said.

The EPG has recommended a timetable of 2010 for developed nations, 2015 for the NIEs [Newly Industrializing Economies] and 2020 for the developing countries. Goh said Singapore prefers an earlier end date for all but can accept the timetable recommended by the EPG.

Asked if he expected a riftng ASEAN members on the APEC free trade proposal at the Bogor Summit, Goh said there will be some differences within ASEAN.

"Malaysia seems to be against the institutionalization of APEC and the timetable for achieving free trade within the region. But Malaysia, like Singapore, depends on international trade more than Indonesia. I hope it can be persuaded that the APEC free trade proposal is in its interest," he said.

"I believe Thailand, (the) Philippines and Brunei support the principle behind Indonesia's free trade proposal for APEC, though each may have a different view on the pace for achieving it," he said.

On whether leaders of ASEAN and potential members of the East Asian Economic Caucus (EAEC) should gather for a luncheon of EAEC members, such as the one held in Bangkok among foreign ministers in July this year, Goh said, "our minds will be focused on APEC. No one has suggested a luncheon for EAEC members."

But he added, "Singapore recognizes Japan's and the U.S. Concerns about the EAEC. We have consistently explained that the EAEC would only be a loose consultative forum to discuss matters of common interest among East Asian countries."

"The Europeans and the North Americans have their fora to exchange views and to promote greater cooperation among themselves. The East Asians need a similar forum," he said, pointing out that the region was the fastest growing in the world over the last 20 years.

"Trade and investment links among them are increasing. Intraregional trade now foot about 43 percent of the region's global trade. Clearly the East Asian countries will have problems in their own backyard which they would have to deal with," he said.

Aid Conference Promises Mongolia $210 Million

OW0911084494 Tokyo KYODO in English 0822 GMT 9 Nov 94

[FBIS Transcribed Text] Tokyo, Nov. 9 KYODO—Donors pledged Wednesday [9 November] Provide a total of 210 million dollars for 1995 to Mongolia, which is suffering dire economic hardships. The amount of aid pledged this year topped last year's 150-175 million dollars.

Twenty-five donor countries, six international organizations and the European Union attended the two-day Mongolia Aid Conference, that started Wednesday. Japan and the World Bank co-hosted the annual meeting. Six member countries of the Association of Southeast Asian Nations (ASEAN) also participated in the meeting for the first time.

Discussions in this year's conference focused on ways to beef up Mongolia's infrastructure, especially in the energy field, and eliminate poverty and unemployment, Japanese officials said. Japan, which has been co-sponsoring the conference in Tokyo since September 1991, was again the largest donor, pledging 6.5 billion yen, or 65 million dollars, in new aid for fiscal 1995 starting April 1995, the officials said. Of the Japanese aid, 4.5 billion yen will be given as official yen loans to help repair a thermoelectric power plant in the capital Ulaanbaatar, 1 billion yen as "nonproject" grant-in-aid and another 1 billion yen to help Mongolia improve the public transport system in Ulaanbaatar.

Norio Hattori, deputy director general of the Foreign Ministry's Economic Cooperation Bureau, told a press conference that the large amount of international aid for Mongolia shows strong support by the international community for Mongolia's strenuous efforts to carry out reforms.

Nicholas Hope, the World Bank's director of the China and Mongolia Division, said the promised aid is an "important endorsement of the continued excellent performance of the Mongolian authorities in reforming their economy and making a transition from a centrally planned to a market-oriented economy." It is also an "appreciation of the difficulties" that the Mongolian Government faces in pursuing democratization and improving the well-being of its people, Hope said. Deputy Prime Minister Choyjilsurengiyn Purebdorj, who headed the Mongolian delegation, expressed gratitude for the international assistance.

Although the participants at the meeting commended Mongolia's progress made in macroeconomic stabilization and economic reform, they agreed that mid- to long-term assistance to Mongolia will still be necessary for the foreseeable future, officials said. The participants also voiced concern over the recent increase in unemployment and the deterioration in some social indicators due to the rapid pace of reform in Mongolia, such as the growing number of people living in poverty. Mongolia vowed to make continued efforts to alleviate poverty, the officials said.

They said the participants agreed to meet again next year in Tokyo.

Mongolia, a former Soviet satellite, ended seven decades of communist rule in 1990 and has been undertaking political and economic reforms to achieve democratization and a market-oriented economy. But it has been suffering economic hardships since the collapse in 1991 of the Soviet Union, on which Mongolia heavily relied for its trade.

Japan

Reaction to U.S. Midterm Election Results

Murayama Optimistic

OW0911100794 Tokyo KYODO in English 0947 GMT 9 Nov 94

[FBIS Transcribed Text] Tokyo, Nov. 9 —Prime Minister Tomiichi Murayama expressed confidence Wednesday [9 November] that ties with the United States will remain unchanged following the landslide Republican victory in the U.S. midterm elections Tuesday.

"I don't think that the (U.S. Government's) policy toward Japan has had any influence on the elections," Murayama told reporters at his official residence.

Republicans, riding on a wave of voter discontent with President Bill Clinton's policies, Tuesday seized control of the House of Representatives for the first time in 40 years, capturing 218 of 435 eats.

They also seized control of the Senate by winning 21 of the 34 seats decided Tuesday night and took most of the governorships at stake.

Earlier Wednesday Chief Cabinet Secretary Kozo Igarashi voiced a similar view, noting that bilateral ties, troubled over trade issues, did not figure high in the elective campaign.

"That's why I don't think the results will influence Japan-U.S. relations," Igarashi said.

He also dismissed concerns the Republican victory could lead to increased pressure on Japan to make concessions over contentious trade and other economic issues.

Finance Minister Voices 'Concern'

OW0911090394 Tokyo KYODO in English 0857 GMT 9 Nov 94

[FBIS Transcribed Text] Tokyo, Nov. 9 KYODO—Finance Minister Masayoshi Takemura voiced concern Wednesday [9 November] over U.S. Midterm election results in fanning the yen's further rise and changing Japan-U.S. relations.

"7 hope the results will not bring changes to the direction of the yen's rise," Takemura told reporters after U.S. President Bill Clinton's Democratic Party suffered a historic landslide defeat to the Republican Party.

Given the power shift in the U.S. Congress, Takemura said he "can't say that there will be no influence on U.S. policies in the future, and that Japan-U.S. relations are not an exception."

While avoiding predictions on possible policy changes, Takemura described relations with the United States as "the most important" for Japan.

Regardless of the U.S. political changes, he said, "we must reaffirm the importance of Japan-U.S. relations.

Industry Predicts 'Little Effect'

OW0911103794 Tokyo KYODO in English 1015 GMT 9 Nov 94

[FBIS Transcribed Text] Tokyo, Nov. 9 KYODO—Japanese business leaders reacted calmly Wednesday [9 November] to the thrashing U.S. voters gave to President Bill Clinton's Democratic Party, predicting little effect on bilateral relations.

"It's usual for the opposition party to gain in midterm elections as dissatisfaction is expressed in the incumbent administration," said Takeshi Nagano, president of the Japan Federation of Employers' Associations.

Although the party in power typically loses ground in off-year elections, Tuesday's results were historic—the Republicans grabbed majorities of the House of Representatives for the first time in 40 years and the Senate for the first time in eight years, giving them control of every congressional committee.

They also garnered most of the nation's governorships, including plums like New York and Texas, and kept California.

But "Japan-U.S. relations did not become a big issue" in the campaign, noted Shoichiro Toyoda, chairman of the Federation of Economic Organizations (Keidanren). "It's unimaginative that there will be a big impact on bilateral relations from these results."

In the short run, the U.S. elections may affect Japan, suggested Kosaku Inaba, head of the Japan Chamber of Commerce and Industry, saying American voters' "harsh judgment" reflected dissatisfaction with and lack of faith in the Clinton administration.

"But Japan-U.S. relations will not fundamentally change," Inaba said.

Noting that Clinton's ability to govern will be made more difficult by the loss of Congress, Inaba said Japan should draw a lesson from the public disillusionment. And he said Japan must "make utmost efforts to open its markets, deregulate and reduce our trade surplus."

Speculating on the cause of the Democrats' rout, coming despite a humming U.S. economy, Nagano cited "growing social problems symbolized by the breakdown of the family. Uncertainty over their livelihoods appeared in the form of a lack of faith in politics overall and dissatisfaction with democratic politics."

Keidanren Chairman on Currency Market Intervention

OW0711105494 Tokyo KYODO in English 1045 GMT 7 Nov 94

[FBIS Transcribed Text] Tokyo, Nov. 7 KYODO—A leading business figure Monday [7 November] called on monetary authorities to actively step into currency markets to defend the value of the dollar against the yen and other major currencies.

Shoichiro Toyoda, chairman of the powerful Federation of Economic Organizations (Keidanren), said at a news conference, "the current foreign exchange rates do not reflect economic fundamentals.

"Obviously, the rates have deviated too much from fundamentals," Toyoda said.

"I believe the optimum level is 110-120 yen to the dollar," he said.

Toyoda Urges 'Private-Level' Talks With U.S.

OW0911041694 Tokyo KYODO in English 0359 GMT 9 Nov 94

[FBIS Transcribed Text] Washington, Nov. 8 KYODO—A top Japanese business leader on Tuesday [9 November] urged closer Japan-U.S. business consultations, expressing frustration over the slow progress in bilateral government negotiations to solve economic and trade disputes.

Shoichiro Toyoda, chairman of the Federation of Economic Organizations (Keidanren) and of Toyota Motor Corp., told reporters the government negotiations have been too confrontational.

"We have to expand channels for private-level dialogues to improve Japan-U.S. relations," Toyoda said.

Specificaly, Keidanren seeks to hold talks with the business round table, which comprises top executives of major U.S. corporations, on fiscal and financial matters, world trade and cooperation in the Asia-Pacific region, Toyoda said.

Toyoda, heading a Keidanren mission, is staying in Washington until Thursday for talks with business round table leaders and U.S. Government officials.

Editorial Criticizes U.S. 'Gunboat' Diplomacy

952A0034A Tokyo TOKYO SHIMBUN in Japanese 3 Oct 94 p 5

[Editorial: "Unproductive U.S. Economic 'Gunboat' Diplomacy"]

[FBIS Translated Text] *The United States pressed Japan, threatening with "sanction." Japan persisted on the least concession on their part. This was a replay of the upshot of the economic friction that had been repeated since the Cold War era. We want to put an end to it.*

In the recent Japan-U.S. economic framework talks, where "tough going" had been a commonplace phrase, agreement was finally reached on three specific areas—government procurement of telecommunications and pharmaceutical equipments, opening of insurance, and glass products markets. It was a difficult settlement. Japan barely made the time limit of 30 September that had been set by the United States threatening to exercise "sanction."

On the area of automobiles and their parts, Japan refused the U.S. demand to abolish their automobile inspection system for the reason of safety, and the two could not reach an agreement. The United States is planning to attack the area of automotive repair parts. But it will not be so harsh and will go only as far as applying the Article 301 of the U.S. Trade Act (sanction against unfair trade practice).

What To Do With the Raised Fist

This outcome gave some relief for those concerned on the Japanese side. Looking back at the process of last minute negotiation, while Japan was desperately trying to avoid "sanction," calling out the ministers of foreign affairs and MITI [Ministry of International Trade and Industry], we can clearly see that the Clinton administration was seeking the way to figure out what to do with the raised fist.

In addition to the ridiculously high price the Japan-U.S. overall relationship will have to pay because of these secondary effects from the breakdown of the talks—execution of sanction—worsening relationship between the two countries, the United States had feared greatly that the "high yen low dollar situation" would cause the United States long-term interest rate to be pushed up and might backfire on the U.S. economy before the mid-term election.

At any rate, the past negotiations and this settlement are far from the feeling of satisfaction that "we have made a progress toward the bright future." Rather, the impression we get is somewhat bleak and desolate.

The economic framework talks that had been started by the Clinton administration's proposal is not different from the Bush administration's SII [Structural Impediments Initiative talks] in essence, in terms of its function to look into the system and practice in order to reduce economic friction. However, it is clear that the economic framework talks is a product of the post-Cold War period, and in a sense that it strongly suggests alteration of Japan-U.S. relationship to fit the new age.

In a historic turnabout of the whole world, Japan and the United States, which are the first and the second economic powers, must build a balanced and stable economic relationship. It was a very natural development for the Clinton administration to think that some talks are necessary to create a new "framework" in order for this to be achieved.

The United States, which was suffering "steel exhaustion" through the Cold War that lasted almost half a century, decided to take the economic recovery course. It was natural for the United States to "correct" the "amae" [psychological dependence on others' goodwill] of Japan, which had enjoyed great economic prosperity under the umbrella of the mutual security.

However, the Clinton administration and those new and old, who advocate Japan being "different," has set their simple thought process to connect the main reason for the enormous imbalance—the United States' one-sided deficit to accumulation of Japan's "unfairness," at the center of the framework talks. In addition, it believed that there was no other way to move Japan than "result-oriented" approach which was symbolized by "objective standard."

Here lies the main cause of the U.S. side that made the talks unproductive and unhappy.

"Invocation of Power": Those Who Invoke and Those Who Are Invoked

Traditionally, the nature of the U.S. diplomatic method is "power." When it recognizes "justice" according to its value system, sometimes it does not hesitate to invoke power. During the Cold War period, the United States expanded its opportunities and the areas of invocation of power, and its action as if a "world police" often met with criticism and ridicule.

The Clinton administration announced that it has "stepped down" from this "police role." In fact, the U.S. society's inward-looking inclination has been restricting such actions by the United States in the world security. However, if the problem concerns its national interest, or is in the sphere of its influence such as the Central America, the so-called "backyard" of the United States, and when it can clearly expect a good result, it would use the power method. The good example would be the recent removal of Haiti's military dictatorship.

This aspect of its foreign diplomacy basically does not change, even the problem is in the area of economic diplomacy, such as trade. The recent examples are the negotiation concerning cellular phone and the recent framework talks. In a strong language, these have the pattern of economic "gunboat diplomacy." Its deadline "30 September" played the same role as its great warship docked off the coast of Haiti.

The U.S. "gunboat" method should be criticized. However, Japan side is also guilty of prompting the United States to invoke such a method. First of all, we would like to point out Japan's reluctance to turn around its existing tight structure in which politics, bureaucracy, and industry are tightly intertwined.

Also, the weight given to the trade with the United States as the primary export partner has gradually decreased after the Cold War, and after 1991, it became less than 30 percent while the trade and investment in Asia showed a substantial growth. Is Japan being arrogant to think that "if we lose the United States, we have Asia?" We cannot deny the fact that the U.S. market is functioning as the final consumer of Japan's capital export to and investment in Asia.

Establish Real Independence Free of Mindset of "Amae"

There has not been a well thought out answer to the question of whether Japan can present a nonmilitary system which transcends a mere idealism, to ensure the world security, which is the most serious problem of the post-Cold War world.

The necessary requirement for correcting the distorted Japan-U.S. relationship for good would be that Japan get rid of tangible and intangible dependance on the United States and the mindset of "amae," which has lasted from the Cold War period and to achieve real independence maintaining the cooperation.

MOFA Seeks Support for UNSC Permant Seat

OW0911000794 Tokyo ASAHI SHIMBUN in Japanese 5 Nov 94 Morning Edition p 2

[FBIS Translated Text] The Ministry of Foreign Affairs [MOFA] has been very irritating over the question of Japan becoming a permanent member of the UN Security Council. Although Yohei Kono, deputy prime minister and foreign minister, expressed Japan's willingness to assume this position at the UN General Assembly in September, the ruling parties and the Asia, Pacific region have not shown a favorable response. MOFA wants to sustain people's interest in this matter until the working group on UNSC reform resumes discussion early next year. Thus, it intends to pave the way to achieve its desire by taking advantage of the United Nations' "growing mood in favor of UNSC reform," (according to a senior MOFA official). However, a blueprint for winning a permanent seat has not been drawn yet.

Sakigake [Harbinger Party] 'Sakigake study group" held a seminar on UN reform in Tokyo on 28 October. After handing out a report prepared by MOFA, Shusei Tanaka, acting representative of Sakigake, said: "MOFA's reform idea does not have substance."

In addition to the UNSC reform plan, MOFA has proposed the following five plJns: 1) Reform of the General Assembly; 2) administrative and financial reform; 3) strengthening functions for economic and social assistance programs; 4) abolition of the Trusteeship Council; and 5) elimination of the "former enemy article." By proposing those plans, MOFA seems to intend to demonstrate its stand of attaching importance to other uN reform plans as well as the UNSC reform plan. However, Tanaka—who is cautious about the permanent seat issue—was not satisfied with MOFA's explanation which merely "confirms the present situation."

More than a fewetmen are holding a cautious view on this matter. For example, a growing number of Dietmen are joining the (Junichiro Koizumi-led) "study group on Japan's permanent membership in the UNSC," a group of ruling party members who take a cautious view on this matter. At a House of Councillors Budget Committee session on 18 October, Shunji Yanai, chief of the MOFA General Foreign Policy Bureau, said: "Participation in the Military Staff Committee itself is not unconstitutional." However, his remarks were criticized as obtrusive at an informal cabinet meeting.

MOFA is sensitive in coping with foreign nations. It has been engaged in various diplomatic activities since last spring so as to win support, particularly from Asian nations, because it believes their support is "extremely important in dealing with domestic and international public opinion," (according to a senior MOFA official.)

However, few Asia and Pacific countries have expressed support for Japan during their general speeches to the UN General Assembly this fall. Although MOFA has, through 4heir embassies in Tokyo, strengthened its demand for Asian nations to express their "support for Japan" at international meetings such as conferences sponsored by the United Nations, MOFA is actually at a loss to make out the true intention of governments of foreign nations.

As a measure of "national consensus," Foreign Minister Kono has repeatedly noted how often the mass media have taken up the permanent membership issue. A MOFA official said, "It is necessary to explain to people the details of deliberations at the United Nations, including unofficial ones." However, measures to stimulate public opinion have not been formulated yet.

Businessmen's Conference with GCC Members Ends

LD0811224294 Riyadh SPA in English 1947 GMT 8 Nov 94

[FBIS Transcribed Text] Tokyo, Nov 8, SPA—The first conference of the Gulf/Japan businessmen called for more efforts to increase the Japanese investments in the members states of the Gulf Cooperation Council [GCC] to cope with their strong trade bonds with Japan.

A final communique issued at the end of the two-day meeting on Tuesday emphasized the need for intensive joint efforts by the governmental and private sectors of the two sides to bolster the Japanese investments in the GCC countries.

It called for providing adequate conditions for regular meetings between the businessmen of the two sides to exchange data, views and experience on economic, commercial, technology transfer and technical training matters.

The conference lauded the steadily increasing growth of trade exchanges between Japan and the GCC countries despite the existence of a stable surplus for the interest of the GCC countries. The GCC side demanded the diversification of the GCC exports of raw materials to include commodities of additional value with the aim of improving industrial structure with direct Japanese investments that include transference of technology.

Russian Far East, Sea of Japan Groups Negotiate

OW0811140994 Tokyo KYODO in English 1351 GMT 8 Nov 94

[FBIS Transcribed Text] Niigata, Japan, Nov. 8 KYODO—Representatives of local governments along the Sea of Japan side of Japan and Far Eastern Russia began a two-day meeting in Niigata on Tuesday [8 November] to discuss closer cultural and economic links between the two regions.

The meeting brings together the governors of Niigata and Toyama Prefectures, and representatives from 14 other towns and prefectures in Japan, as well as the governors of five provinces and regions in Russia.

The Japanese group's agenda includes personnel exchanges and language studies, as well as the strengthening of air links between the two regions. The Russians are keen to discuss Japanese economic and technical assistance.

In a keynote speech to the meeting, Niigata Gov. Ikuo Hirayama stressed the need for distinctions between the roles of the central and regional governments in conducting coastal exchange as well as for more cooperation between regional governments.

Hirayama also called for joint studies into marine resources and Russia's disposal of radioactive nuclear waste in the Sea of Japan.

Governors from Russia all urged the Japanese to cooperate in the establishment of a center for the exchange of technology-related information.

Japanese delegates also said that the shooting by Russian border guards at unprotected Japanese fishing vessels in waters off four disputed islands to the northeast of Hokkaido is morally wrong and unacceptable under international law.

Russian delegates, however, responded that they did not want incursions across their borders.

The four islands, which were seized from Japan by the former Soviet Union at the end of World War II, are Kunashiri, Etorofu, Shikotan, and the Habomai group of islets.

Survey Team to Golan Heights Under Study

OW0911013894 Tokyo SANKEI SHIMBUN in Japanese 6 Nov 94 Morning Edition p 1

[FBIS Translated Text] As of 5 November, the government has begun making arrangements for a fact-finding mission to be sent within the year to facilitate the deployment of Self-Defense Forces [SDF] units next May to participate in the UN Peacekeeping Operations (PKO) in the Golan Heights, which are under Israeli occupation now. The mission will be composed of officials from the International Cooperation Headquarters under the Prime Minister's Office, the Foreign Ministry, and the Defense Agency [DA]. Last spring and summer, the dispatch of SDF units in November was studied within the government from the standpoint that "it will be a good opportunity to indicate Japan's positive stance on international contributions," (as stated by a senior Foreign Ministry official). However, since priority was given to the dispatch of SDF units to join PKO operations in relieving Rwandan refugees, the plan has been shelved.

With regard to the PKO cooperation activities in the Golan Heights, Austrian and Polish infantry units with about 800 personnel have been engaged in such operations as monitoring the cease-fire, and Canadian units with about 200 personnel have been engaged in such operations as transport and logistics as part of the "UN Disengagement Observer Forces (UNDOF)." The United Nations asked for Japan's cooperation in late May to take over part of the Canadian units' transport operation in mid-November. In response, the government dispatched a fact-finding team composed of officials from concerned ministries and agencies in June, coordinated on the details of the operation, and studied the possibility of sending units of about 70 personnel.

However, "It is difficult to dispatch SDF units to join in the Rwandan refugee relief operation and in PKO operations in the Golan Heights simultaneously because of difficulties in coordinating various issues such as the number of SDF personnel," (as stated by a DA senior official). Thus, the plan to send a government fact-finding mission to the site originally scheduled in July has been postponed without any further decision.

Since the SDF units dispatched to Zaire are scheduled to complete their mission and return home tthin the year, the government intends to "send other SDF units to the Golan Heights by next May," (as stated by a senior Foreign Ministry official). Therefore, the government wants to send a fact-finding mission there by the year's end, and officially decide on operations by next January.

If the official decision is made, the SDF deployment to the Golan Heights would be the fourth SDF overseas deployment, following Cambodia, Mozambique, and Zaire for the aid of Rwandan refugees. However, ruling parties such as the Social Democratic Party of Japan are likely to voice their opinions on the SDF deployment, demanding "careful examination". Therefore, before the SDF units are actually deployed next May, many turns and twists are anticipated.

Symposium Attendees Concerned Over EAEC Plan

OW0911115294 Tokyo KYODO in English 1106 GMT 9 Nov 94

[FBIS Transcribed Text] Tokyo, Nov. 9 KYODO—The proposal to create an East Asia Economic Caucus (EAEC) was resisted on Wednesday [9 November] at a symposium here out of fear it might isolate the East Asia region from the rest of the world.

"I cannot entirely support the idea," Motoo Shiina, a House of Councillors member, said at the symposium regarding Japan's role in Asia. He said the plan appears designed to prevent the United States from wielding too much influence over the rest of the world, including East Asia. But Shiina said it is more likely that the U.S., now that its Cold War struggle with the former Soviet Union is over, will turn its back on world affairs and adopt an isolationist policy again.

James Eberle, former president of Britain's Chatham House, spoke of the need not to "divorce" the U.S. as East Asian nations are closely linked to the U.S. in political, economic and other fields of cooperation.

Reiterating his "concern" or "fear" about the proposal, he said the proposed EAEC, if created, should not be "exclusive" but "inclusive."

In contrast, former Malaysian Foreign Minister Ghazali Shafie repeatedly sought support for the plan, originally floated by Malaysian Prime Minister Mahathir bin Mohamad in 1990, insisting that the proposed group "will provide an equilibrium" in East Asia.

"Let us be together and share our thoughts together" before presenting the views of east Asia to the rest of the world, Ghazali said.

The EAEC, now being pushed by the Association of Southeast Asian Nations (ASEAN), would group the six ASEAN member states, along with China, Hong Kong, Japan and South Korea.

The plan has met adamant opposition from the U.S., which is to be excluded from the grouping. Washingt argues that EAEC could become a protectionist economic bloc.

Tokyo has taken a noncommittal stance on the EAEC proposal in consideration of the U.S. position, its principal ally.

"Is it dangerous because Japan and China are together?" Asked Ghazali. "I think it is dangerous if Japan and China are not together."

According to a news report, Malaysian International Trade and Industry Minister Rafidah Aziz urged Japan on Tuesday to make up up its mind whether it wants to be in or out of the EAEC, a clear sign of Kuala Lumpur's irritation with Tokyo's procrastination on the proposal.

'Weak-Kneed' Diplomacy Toward PRC Criticized

OW0511065494 Tokyo SANKEI SHIMBUN in Japanese 2 Nov 94 Morning Edition p 2

[Article by SANKEI SHIMBUN reporter Yasnori Matsuno: "Tokyo's Weak-Kneed Diplomacy Toward Beijing Exposed"]

[FBIS Translated Text] Prime Minister Tomiichi Murayama and Foreign Minister Yohei Kono met separately with visiting Chinese Vice President Rong Yiren on 28 October and 31 October. As the sole nation that has suffered atomic bombing, Japan is profoundly concerned over China's recent nuclear testing. At the meetings, however, the prime minister and foreign minister failed to protest against China's recent nuclear testing, only to expose the Japanese Government's weak-kneed diplomacy toward China.

The prime minister and foreign minister each met with the Chinese vice president for about two hours over dinner. Explaining why they did not raise the issue of China's nuclear testing, a Foreign Ministry source said: "Vice President Rong Yiren has been in charge of economic affairs, while playing a key role in promoting China's reform and open up policy. The atmosphere at the meetings made it awkward for the prime minister and foreign minister to raise such a political topic for discussion."

During the meetings with the prime minister and foreign minister, however, the Chinese vice president made extremely political remarks by showing his unhappiness with contacts between Japan and Taiwan and calling the contacts a "primary factor in impeding the development of Japan-China relations." In response, the prime minister stressed that "Japan is against any two-China policy and it will adhere to the Japan-China Joint Statement."

The Taiwan issue was brought up at Japan-China foreign ministerial talks that were held for about one hour in New York on 26 September. According to an official close to Foreign Minister Kono, Chinese Foreign Minister Qian Qichen protested against a planned visit by Taiwanese Vice Premier Hsu Li-te to Japan, saying "His visit to Japan will hurt the Chinese people's feelings."

In response, Foreign Minister Kono rebuffed the protest from the Chinese foreign minister by warning that "the Japanese people are concerned over China's nuclear testing."

One of the centerpieces of the Murayama government's foreign policy is to "advocate disarmament, nuclear nonproliferation, and the dismantling of nuclear weapons." Given the Japanese people's feelings toward the fact that China conducted a nuclear test shortly before former Foreign Minister Hiroji Kakizawa's visit to China in June, and conducted another nuclear test shortly after the Japan-China foreign ministerial talks were held in New York in late October, Prime Minister Murayama and Foreign Minister Kono should have raised the issue of China's nuclear tests at their meetings with the Chinese vice president and told him that China's nuclear tests run counter to the Guideline for the Official Development Assistance (ODA) under which Japan will provide a fourth yen-based loan to China. It is incomprehensible that the prime minister and foreign minister only defended Japan's position on the Taiwan issue at their meetings with the Chinese vice president.

Some government officials pointed out that they did not raise the issue of China's nuclear testing out of consideration for the fact that the Chinese vice president was visiting Japan at the invitation of the Foreign Ministry, and for opinions of the so-called "China School" in the Foreign Ministry, who attach importance to relations with China.

The view is surfacing within the Foreign Ministry that the government should think twice abopt its yen-based loans to China, which has repeatedly conducted nuclear testing in defiance of protests from Japan. If Japan continues to deal irresolutely with China's nuclear testing, it would allow China to exploit Japan's weak-kneed diplomacy, thereby undermining the national interests of Japan.

Ruling Parties Divided Over Mission to DPRK

OW0811120194 Tokyo NIHON KEIZAI SHIMBUN in Japanese 5 Nov 94 Morning Edition p 2

[FBIS Translated Excerpt] The policymakers of the ruling coalition parties will fully begin interparty negotiations next week on a plan to send a mission to the DPRK. The coalition's trip to the DPRK is aimed at showing informal support for an early resumption of the Japan-DPRK normalization talks, which have been suspended since November 1992.

Yet the coalition parties are not in accord on policies regarding the DPRK. This is partly because the 1990 joint delegation of the Liberal Democratic Party and the Social Democratic Party of Japan pledged "postwar compensation" to the Korean Workers' Party. Also, Japan must have adequate consideration for the ROK's delicate sentiments on the improvement of Japan-DPRK relations, since the North-South negotiations have been deadlocked. Negotiations among the coalition parties are likely to face difficulties, and the trip to the DPRK may have to be postponed, depending on the development of the talks.

Policymakers of the three ruling parties—Sadao Yamahana, former chairman of the Social Democratic Party of Japan [SDPJ], who was a member of the joint delegation, and other officials—will be asked to explain as early as next week the circumstances under which the pledge was made. Since the three parties have different policies toward the DPRK, a senior executive of New Party Sakigake [Harbinger] said that mishandling the issue of dispatching the mission would create a potential for disaster. Therefore, the policymakers want to carefully study the issue from the viewpoints of its characteristics and policies, the timing of its dispatch, and its personnel lineups. Regarding the three-party joint declaration and the issue of "Yi Un-hye"—who taught Japanese to Kim Hyon-hui, who in turn was on death row for her involvement in bombing a Korean Airlines passenger plane—in particular, the lawmakers plan to simultaneously promote discussions with government officials. Mutsuki Kato, chairman of the Policy Research Council of the

Liberal Democratic Party [LDP] said: "There should not be a difference in views between the government and the mission."

At their policymakers' meeting on 31 October, the ruling parties confirmed a plan to unify various authorities concerned and entrust Wataru Kubo, secretary general of the Social Democratic Party of Japan [SDPJ], with the task of negotiations with the DPRK over the issue of dispatching the delegation to the DPRK. They also confirmed that the would finalize pending issues between Japan and the DPRK as soon as possible. The time is becoming ripe for the movement to send a delegation to the DPRK as early as this month because "DPRK officials want us to visit them before the Kim Chong-il regime takes power," (according to a senior SDPJ official).

On 1 November, at meetings of the General Council of Representatives from the ruling parties as well as of the LDP General Council, participants expressed their concern, saying: "It is too early to send a large-scale delegation to the DPRK, because the situation regarding whether Kim Chong-il will become president is not yet clear." They also criticized the 1990 three-party joint declaration one after another, saying: "What are we going to do if the DPRK brings up the joint declaration for discussion?"

The three parties also are negotiating with each other over the selection of a leader for the delegation. There is a deep-rooted view within the SDPJ, which is on friendly terms with the Korean Workers' Party, that "Kubo is the most qualified person." Also, it is said that Kubo himself is willing to lead the mission. Meanwhile, the LDP wants to appoint one of the party executives and former foreign ministers to the post. The LDP's intention is to play a leadership role in future Japan-DPRK diplomacy. Some members of the ruling parties are beginning to express their views, saying: "What if the delegation, composed of prominent lawmakers, is not able to meet with Kim Chong-il? This would have a negative effect on the future of Japan-DPRK negotiations."

LDP Termed 'Reluctant'

OW0811125894 Tokyo KYODO in English 1235 GMT 8 Nov 94

[FBIS Transcribed Text] Tokyo, Nov. 8 KYODO—A senior official of the Liberal Democratic Party (LDP), the largest member of the ruling coalition, said Tuesday [8 November] it is too early to send a coalition delegation to North Korea by the end of this month.

"We have never said clearly that we would send a delegation in November. There is no way we regard such a trip as fixed," said LDP Secretary General Yoshiro Mori at a press conference.

The remarks reflect the fact that a number of LDP officials have become reluctant to dispatch a delegation from the three ruling parties—the LDP, the Social Democratic Party [of Japan] (SDP) [SDPJ] and New Party Sakigake [Harbinger].

SDPJ Secretary General Wataru Kubo criticized LDP officials in a separate media meeting for speaking a little differently from previously, but said the three ruling parties should carefully seek a solution to the issue.

A majority of SDPJ officials are eager to send a delegation from the ruling coalition to promote normalizing Tokyo-Pyongyang relations, SDPJ sources said. Until recent years, the SDPJ has not recognized South Korea, keeping company only with North Korea.

Some LDP officials pfedict the three parties will have to discuss until the end of November to iron out an appropriate time for sending the planned delegation.

The LDP's reluctance stems from apprehensions about the North Korean situation and concern that Pyongyang may ask Japan to pay compensation for its actions after the end of World War II, not only during its colonial rule of the Korean peninsula in 1910-1945, party sources said.

A news report said Tuesday that North Korea is reluctant to accept a delegation from Japan's ruling coalition unless Tokyo reaffirms the validity of a joint declaration issued in 1990.

Kim Yong-sun, secretary of the North Korean ruling Workers Party of Korea (WPK) Central Committee, made the remark in an interview on Monday with Tokyo Broadcasting System (TBS).

The 1990 joint declaration by the WPK, the LDP and the SDPJ urged Japan to compensate North Korea "for enormous misfortunes and miseries imposed upon the Korean people for 36 years, and the losses inflicted upon the Korean people in the ensuing 45 years after the war."

LDP Leader Comments

OW0911040994 kyo ASAHI SHIMBUN in Japanese 8 Nov 94 Morning Edition p 2

[FBIS Translated Text] On 7 November, Yoshiro Mori, Liberal Democratic Party [LDP] secretary general, Wataru Kubo, Socia Democratic Party of Japan [SDPJ] secretary general, and other ruling coalition leaders held a meeting at the Diet to discuss the issue of sending a ruling parties delegation to the DPRK. They confirmed that the timing for the dispatch and other concerned issues should be decided during final coordinations at the Ruling Parties' Policy Coordination Committee's [RPPCC] meeting.

At the meeting, Koichi Kato, LDP Policy Affairs Research Council chairman, said: "The RPPCC should be responsible for analyzing the DPRK situation. It is important to decide on the dispatch using the greatest caution. Since the delegation's visit to the DPRK may facilitate official talks between the two governments, the greatest care must be taken in handling this issue." Kato's remarks indicate his cautious approach toward the early dispatch of the delegation to the DPRK because it remains unknown when Secretary Kim Chong-il will be able to consolidate his power and succeed leadership of the regime, and because there are still various unsettled problems such as how to interpret the 1990 joint declaration issued by the LDP, the SDPJ, and the Workers' Party of Korea, which clearly states that Japan will pay its "post-war compensations."

Russian Minorities To Demand War Compensation

OW0911115094 Tokyo KYODO in English 1056 GMT 9 Nov 94

[FBIS Transcribed Text] Sapporo, Nov. 9 KYODO—A Russian minority group on the Far East island of Sakhalin will demand by early 1995 that Japan compensate for the death of their relatives conscripted by former Japanese intelligence organizations during World War II, officials of the association said Wednesday [9 November].

The families of three minority races—the Uilta, Nibuxi and Ulchi—claim that at least 58 people were recruited by Japan as intelligence officers and later died.

They demand the Japanese Government officially apologize for the conduct, build a joint memorial at a Sakhalin grave yard and pay compensation money, the officials said.

They will also request that the government establish new aid funds to restore their own lives.

The families are planning to submit the demand to the government through the Uilta Association organized by Japanese supporters in Abashiri, Hokkaido, northern Japan.

The association officials said the conscripted people, mostly youths, were forcibly engaged in intelligence operations near the border with the former Soviet Union on the island. Sakhalin's southern half was Japanese territory during and before the war.

Some of them were shot during the operations, while others were killed after being taken by the former Soviet Red Army to Siberia together with hundreds of thousands of Japanese after the war.

Among the 58 victims, the number the association has so far identified through their investigations, the whereabouts of the bereaved families of 37 are known, the officials said.

Of the 37 families, members of six live in Japan, including in Hokkaido, Japan's northern main island facing Sakhalin.

Ryou Takaka, 64, secretary general of the Uilta Association, visited the Sakhalin city of Poronayski last month and helped the families establish their own association with Ryuba Kitajima, 49, as its representative.

Takaka said, "I want to make the demands to the government directly by going to Tokyo together with the (families) representatives in Sakhalin."

Prefectures To Send Trade Mission to Russia

OW0911114094 Tokyo KYODO in English 1037 GMT 9 Nov 94

[FBIS Transcribed Text] Niigata, Japan, Nov. 9 KYODO—Japanese prefectures located on the Sea of Japan coast pledged Wednesday [9 November] to dispatch a trade mission including private businessmen to Russia.

The decision was made on the closing day of a meeting in Niigata of governors from 16 Japanese prefectures and five Russian Far East districts, the second of its kind.

The timetable and scope of the trade mission have not been decided yet. In a joint appeal the governors also envisage intensifying youth exchanges and stress the importance of halting nuclear dumping at sea and other measures detrimental to the marine environment in the sea of Japan.

The participants reiterated plans to hold similar meetings on an annual basis from next year.

Topping the governors' agenda in Wednesday's session were economic and technological exchanges as well as measures to improve Russian know-how about economic liberalization, which should transform Russia into a market economy.

The Russian side tried to drum up Japanese investment, stressing that Japan so far lags far behind the United States and South Korea.

At a following news conference, the Russian delegates called on Japan not to neglect ties with the Russian Far East, noting that both sides should look for common interests to develop.

NEC To Increase Capital Investment in France

OW0811011194 Tokyo KYODO in English 0047 GMT 8 Nov 94

[FBIS Transcribed Text] Tokyo, Nov. 8 KYODO—NEC Corp. plans to make an additional capital injection into French state-controlled computer maker Groupe Bull at the request of the French concern, an NEC spokesman said Tuesday [8 November]. But the spokesman declined to specify the scale of the capital injection and the resulting increase in NEC's equity stake in Bull.

NEC is Bull's largest private shareholder with a 4.43 percent stake, followed by International Business Machines Corp., which has a 2.1 percent stake.

The upcoming capital injection will be the second of its kind by NEC, following a capital injection of some 7 billion yen last December.

Groupe Bull is a money-losing French state-controlled computer maker in which the French Government currently holds a 75.8 percent stake.

The government intends to privatize the company, and is scheduled to start inviting bids for part of its shares in Bull in mid-November or later so as to lower its stake to less than 50 percent.

Tokyo To Provide Aid to Developing Countries

SRV: 65 Billion Yen

OW0811121294 Tokyo KYODO in English 1102 GMT 8 Nov 94

[FBIS Transcribed Text] Tokyo, Nov. 8 KYODO—Japan will pledge about 65 billion yen in economic aid to Vietnam at an aid donor meeting in Paris on Nov. 15-16, a senior Foreign Ministry official said Tuesday [8 November].

The Japanese aid is for Japan's fiscal 1995 period, which starts in April 1995 and ends in March 1996, the official said.

Tokyo pledged a total of some 60 billion yen at last year's aid donors meeting for Vietnam.

The aid is to support Vietnam's efforts for economic reform and the shift to a market-oriented economy under the country's "doi moi" (renovation) reform policy, ministry officials said.

Japan resumed aid to Hanoi in 1992 after suspending it in the wake of Vietnam's December 1978 invasion of neighboring Cambodia.

Mongolia: 6.5 Billion Yen

OW0811085394 Tokyo KYODO in English 0815 GMT 8 Nov 94

[FBIS Transcribed Text] Tokyo, Nov. 8 KYODO—Japan will pledge 6.5 billion yen in new aid for Mongolia to help the central Asian nation stabilize its shattered economy and beef up its infrastructure, a high-ranking Foreign Ministry official said Tuesday [8 November].

Japan will pledge the aid for fiscal 1995 during a two-day international conference on aid to Mongolia, which opened in Tokyo earlier in the day, the official said.

Of the total, 4.5 billion yen will be extended as official yen loans to help repair a thermoelectric power plant in the Mongolian capital of Ulaanbaatar, he said.

Of the remaining 2 billion yen that will be provided as grant-in-aid, 1 billion yen will be extended as "non-project" aid and the other 1 billion yen for Mongolia's project to build up the public transportation system in Ulaanbaatar.

Japan and the World Bank have been hosting the international conference on aid to Mongolia annually since September 1991.

The fourth meeting opened earlier in the day, drawing participation of senior aid officials from 26 donor countries, five international organizations and the European Union.

The six member countries of the Association of Southeast Asian Nations are also participating in the meeting for the first time.

Deputy Prime Minister Choyjilsurengiyn Purebdorj heads the Mongolian delegation to the meeting.

Mongolia won pledges of 155 million dollars in 1991 and 320 million dollars for 1992 and 1993. In the third conference last year, donor countries and international organizations pledged new aid totaling between 150 and 175 million dollars for 1994 and beyond.

In an opening speech, parliamentary Vice Foreign Minister Hakuo Yanagisawa gave high marks to Mongolia's reform drive, saying its efforts will be a good model for other former socialist countries in Asia.

Mongolia, a former Soviet satellite, ended its seven-decade long communist rule in 1990 and has been pushing with political and economic reforms to achieve democratization and a market-oriented economy.

But the central Asian country has suffered dire economic hardships since the collapse in 1991 of the Soviet Union, which Mongolia heavily relied on for trade.

Discussions in this year's conference are expected to focus on ways to improve Mongolia's infrastructure, especially in the energy field, and eliminate poverty and unemployment, ministry officials said.

Unemployment has grown sharply and poverty has become serious because of the rapid pace of reform, threatening to become great social and political problems in the country.

Foreign Ministry officials said Japan's aid to Mongolia for fiscal 1995, which starts in April 1995 and ends in March 1996, is likely to reach 12 billion yen, exceeding its pledge of 6.5 billion yen to be given by the end of 1995. The Japanese aid will increase from the amount pledged at the meeting because of budgetary reasons and also because technical assistance will be added. The World Bank pledged 25 million dollars, the officials said.

Burma: 1 to 2 Billion Yen

OW0511140294 Tokyo NIHON KEIZAI SHIMBUN in Japanese 4 Nov Morning Edition p 1

[FBIS Translated Text] The government is making a de-facto change of its policy on Burma, and will start providing support for Burma's democratization by resuming Official Development Assistance (ODA) programs for it, which have been suspended since a coup d'etat in 1988. The purpose of the change is to help accelerate conciliatory moves in that country, and also for Japan to lead the growing global mood for "dialogue" with that country. The government is expected to begin providing grant-type aid this year with the total expected to come to 1 to 2 billion yen in humanitarian aid programs which include renovation of medical facilities in Rangoon and supply of new medical instruments.

In Burma, the armed forces took over the government in 1988 on the grounds of economic problems in the country. The military, while asserting it is a provisional government in control until an appropriate time for the transfer to civilian power, took control of the government after putting under house arrest Madam Aung San Suu Kyi, the leader of the National League for Democracy which had just won the general election in a landslide. However, since September this year, the Burmese Government has taken measures for democratization, for instance, by holding direct dialogue with Aung San Suu Kyi twice. This resulted in the beginning of dialogue with that country by the European Union (EU) as well as the United States, which sent a special government envoy for talks.

Since 1988, Japan's ODA programs to Burma have been limited to grant-type aids "of urgent and humanitarian nature" which could not exceed 5 million yen per project. But recently there has been a change in international opinion, and there have been growing expectations among Japanese corporations over the prospect of Burma becoming another large Asian market like Vietnam. Given this, there have been calls for the resumption of aid to that country.

But Japan does not want to "stand out" among the international community in doing this. In view of the fact that Madam Suu Kyi is still not free, full-scale resumption of assistance, which would include yen-based loans, is not being considered.

Central Africa: 2.19 Billion Yen

OW0911112294 Tokyo KYODO in English 1017 GMT 9 Nov 94

[FBIS Transcribed Text] Tokyo, Nov. 9 KYODO—Japan will extend to Central Africa a grant-in-aid of up to 2.19 billion yen to help the country carry out a project to repair a national road, the Foreign Ministry said Wednesday [9 November].

Japan and Central Africa exchanged documents on the Japanese aid in the Central African capital of Bangui, the ministry said.

The landlocked African country is geographically and socially isolated because means of transportation to other countries are limited to air routes, river routes and National Road No. 3, it said. Transportation, however, is greatly affected by weather and season, limiting the export of cotton, coffee, diamonds and lumber. The Japanese aid will be used to pave part of the National Road No. 3, it said.

Zaire: 10.6 Million Yen

OW0811121194 Tokyo KYODO in English 1112 GMT 8 Nov 94

[FBIS Transcribed Text] Tokyo, Nov. 8 KYODO—Japan will extend a grant-in-aid totaling 10.6 million yen to Zaire to help it recover from the effects of the large influx of Rwandan refugees, a senior Foreign Ministry official said Tuesday [8 November]. Of the aid, 5.7 million yen will be to help Zaire purchase desks, chairs and other equipment for eight elementary schools in Goma, the official said. Most of such equipment has been burned due to the large influx of Rwandan refugees, and classes cannot be held, he said.

Another 4.9 million yen will be to help Zaire improve equipment necessary at a medical institution in Kivu. The institution cannot meet the growing need to deal with bacteria because of the lack of equipment, the official said.

Public Works Outlay To Grow 'About' 4 Percent

OW0811094794 Tokyo KYODO in English 0937 GMT 8 Nov 94

[FBIS Transcribed Text] Tokyo, Nov. 8 KYODO—The Ministry of Finance plans to boost the appropriation for public works projects in fiscal 1995 by about 4.0 percent over the original fiscal 1994 budget to 9.3 trillion yen, ministry sources said Tuesday [8 November]. The sources said the ministry wants to give preferential treatment to public works projects to stimulate recovery of the domestic economy. It will be the fifth straight year for the public works budget to enjoy a substantial growth rate of at least 4.0 percent.

Fiscal 1995, which begins April 1, will also be the initial year of a 10-year basic program for public investment during which 630 trillion yen will be earmarked to improve social infrastructure.

The government raised the budget for public works projects in fiscal 1994 by 4.0 percent over a year earlier to 8,984.5 billion yen.

The funds were set aside mainly for road construction, irrigation and disaster control projects as well as housing and sewer system construction and preservation of the environment.

In fiscal 1995, the sources said, the ministry will basically approve budgetary requests for public works projects filed by government ministries and agencies.

Requests up for ministry approval come to about 7.8 trillion yen for general public works projects and about 60 billion yen for reconstruction to repair damage caused by natural disasters, the sources said.

The ministry plans to promote other priority projects requiring total outlays of 1.85 trillion yen by using profits from sales of Nippon Telegraph and Telephone Corp. shares and newly created special funds, they said.

The sources pointed out the possibility that the ministry will increase expenditures for agricultural projects under pressure from the ruling coalition parties as measures to cope with the liberalization of farm imports under the Uruguay Round of world trade negotiations concluded last December.

Mieno 'Cool' to Calls for Lower Interest Rates

OW0911082994 Tokyo KYODO in English 0819 GMT 9 Nov 94

[FBIS Transcribed Text] Nagoya, Nov. 9 KYODO—Bank of Japan Governor Yasushi Mieno on Wednesday [9 November] responded coolly to calls by business executives to keep interest rates low. In response to the calls at a gathering with business executives in the region, Mieno said he cannot easily promise to lower interest rates, and noted the central bank is not considering tightening its monetary grip at present.

Business leaders called for lower rates to correct the yen's strength against the dollar in the foreign exchange markets, which they said might dampen the economic recovery. They said rises in real interest rates may also discourage capital investment.

Mieno said recent rises in long-term interest rates have reflected economic conditions and interest rates should be formed stably in line with the real state of the economy. Manipulating the rates forcefully might confuse the national economy, and while lenders favor lower interest rates, depositors hope for higher ones, he said.

The business executives in the export-dependent region voiced strong concern over the yen's recent rise to double-digit levels against the dollar and called on Mieno for timely market intervention to stabilize foreign exchange rate. Some asked for further efforts and quick remedies by the central bank to bring the dollar-yen rate back to the 110 yen level at best.

The yen's further advance may strike a severe blow to smaller businesses in the region, especially subcontractors of major makers, they said.

"I cannot be optimistic about the econokic outlook, considering the yen's appreciation and employment conditions," one top businessman said, adding the present economy lacks energy to head toward a full-scale recovery.

Mieno said that since the current foreign exchange markets have seen the dollar's tumble against major currencies, not the yen's rise, there is some difficulty in Japan handling the issue.

Still the recent currency rates have not reflected each nation's economic fundamentals, he said, and the central bank will continue acting in an appropriate and timely manner through close contact with the Group of Seven (G-7) major industrial nations.

As a remedy to alleviate upward pressure on the yen, Mieno stressed the need to reduce Japan's huge trade surplus. To this end, Mieno said Japan's ill-balanced structure between massive savings and slim investment should be corrected from a long- term viewpoint, referring to an old saying "more haste, less speed."

In order to greatly increase the nation's investment, Mieno called for steady efforts to improve social infrastructure and to further ease government regulations

Economy Said Recovering Despite Yen's Rise

OW0911052894 Tokyo KYODO in English 0509 GMT 9 Nov 94

[FBIS Transcribed Text] Nagoya, Nov. 9 KYODO—Bank of Japan Governor Yasushi Mieno said Wednesday [9 November] Japan's economy is gradually recovering despite the stronger yen.

Mieno said at a press conference that while the "nascent economic recovery" was somewhat spotty, on a broad front it is "moderately recovering."

While acknowledging companies are enduring hardship, Mieno said Japanese exporters' weakening price competitiveness due to the yen's appreciation has so far been offset by increasing overseas demand. Foreign exchange rates have been unstable recently and a close watch on currency markets will continue to be needed, he said. The Group of Seven (G-7) industrial nations have basically agreed that currency rates should reflect each nation's economic fundamentals, he said.

Mieno referred to last week's statement by U.S. Treasury Secretary Lloyd Bentsen about the need to prevent the dollar's further decline. The central bank will take appropriate and timely action in the currency markets through close contact with other G-7 nations, Mieno reiterated.

As factors supporting economic recovery, Mieno cited steady housing and public works investment, brightening private consumption, especially of durable goods like automobole-and consumer electronics, and increasing industrial production.

Noting that corporate earnings are finally on the way to recovery and business confidence has improved, Mieno said the economic recovery is on its way. As factors to be carefully watched, Mieno cited developments in individual consumption after the hot summer and tax cuts, foreign exchange rate movements, and still-slack capital spending.

Under the circumstances, the central bank will continue carefully examining the sustainability and pace of the economic recovery, he said.

Asked about the "hollowing out" of Japanese industry or Japanese makers' shifting of their production bases overseas, Mieno said he regards it positively "as a process in the sophistication of Japan's industrial structure."

Such shifts are a trend reflecting intensifying competition from Asian and east European nations and Japan's economy has been urged to sophisticate its industrial structure in line with ongoing international division of industries, he said.

In this regard, Mieno called for more deregulation to encourage innovative entrepreneurship, as well as macroeconomic policies to realize noninflationary sustained economic growth.

It is natural for the weight of the nonmanufacturing sector to increase in the process of a nation's economic development, so the hallowing-out does not mean the decline of manufacturing, Mieno said.

Turning to the problem of nonperforming assets or bad loans held by financial institutions, Mieno said the balance of such assets has peaked, though much remains to be done in disposing of them.

The issue should be resolved as soon as possible through further liquidation of nonperforming assets, improvement in cash flows and enrichment of capital owned by each financial institution, the central bank chief said.

Regarding Johnan Shinyo Kinko's new deposits with prize money, Mieno said it is natural for each bank to work out original ideas on interest rates and giveaways to meet customers' needs in the process of financial liberalization.

Regarding the Finance Ministry's blocking of a planned hike in interest rates on postal savings, Mieno said it is "desirable to continue reviewing" the agreement made this spring between the Finance Ministry and Posts and Telecommunications Ministry in the context of the continuing financial liberalization.

EPA on Economic Recovery

OW0811005394 Tokyo KYODO in English 2347 GMT 7 Nov 94

[FBIS Transcribed Text] Tokyo, Nov. 8 KYODO—The economy is continuing toward a recovery with brighter spots becoming visible, the Economic Planning Agency (EPA) said in its latest monthly report released Tuesday [8 November].

The government agency effectively declared in its September report that the three-year recession has come to an end.

The report said, "The economy is heading toward recovery albeit at a gentle pace." The word "recovery" was used in the report released in August for the first time in a year.

The economic situation's "bright spots are continuing to spread," it said, affirming the continuance of the situation in the report released in September when the words "bright spots have been spreading recently," were used.

The more optimistic tone is apparent in the change of words describing industrial production and corporate profits.

Instead of saying there are signs of a recovery in industrial production, the report said industrial output is "on a gradual uptrend."

As for corporate profits, it said "There are signs of a pickup" instead of saying there are signs of bottoming out.

The report reiterated last month's report that consumer spending looks to be picking up, but that the other pillar of economic growth, corporate capital spending, is still on a general downtrend despite improvement in some sectors.

It also repeated concerns about the recent movements in foreign exchange dealings. The dollar recently fell to a global postwar low of 96.35 yen.

The report reiterated the severity of the employment situation, particularly in the manufacturing industry, and that exports are strong while imports, mainly of manufactured goods, are increasing. Domestic wholesale prices are slightly weak and consumer prices are steady, the report said.

Editorial Urges Structural Economic Change

OW0811123294 Tokyo NIHON KEIZAI SHIMBUN in Japanese 31 Oct 94 morning edition p 2

[Editorial: "Murayama Economic Policy Delays Japanese Economic Reform"]

[FBIS Translated Text] What has been feared is happening. The economic policy of the Murayama coalition government is in the hands of special-interest legislators and bureaucrats. The budget is being carelessly allocated, and vital deregulation is not being realized at all. If such a situation continues, it runs the danger of delaying Japanese economic reforms, which are sought in the context of changing global economic circumstances.

The greatest problem is that the Murayama government's economic policy is not compatible with the new currents of the global economy which developed after the Cold War. The developing countries, where wages are low and a fairly high level of manufacturing technology exists, and the former socialist countries have entered the very competitive world market which already includes the developed countries.

For Japan to survive in such times, it is vital to change the Japanese economic system by pressing forward for structural change—with deregulation at the center. But the Murayama government seems to be resisting such an inclination and seems inclined to keep and preserve the old system.

Its agricultural measures in response to the Uruguay Round clearly revealed such an attitude. Of course it is necessary to provide support to raise agricultural competitiveness and to promote independence, but it definitely exceeds an [appropriate level of help] to assist farmers in refinancing their debts and to be overly generous with public investment in the agricultural field. It is also out of step with the fundamental spirit of the Uruguay Round, which is to lower the level of agricultural protection.

Protective Measure Is Against "Great Division Of Labor"

The era of great competition is, in a sense, the era of the great international division of labor. If we excessively protect industries which are uncompetitive in the international division of labor, the consequence will be serious. The cost will be reflected in the price of products and the action will even undermine competitive industries. The result is the temptation of protectionism. Avoiding such a situation and trying to have a multifaceted horizontal division of labor system compatible with Asian countries by carrying out structural changes should be an option for the Japanese economy.

The reason the agricultural budget increased was that the Murayama government's coalition parties all went after their share. One former official of the Ministry of Finance [MOF] points out that "it was double layering; the money spreading habit of the socialist party [[Social Democratic Party of Japan—SDPJ] on top of the habits of the Liberal Democratic Party's special interest legislators." The fact that not only the coalition government parties, but also the opposition parties of the former coalition, were basically for the increase also contributed to the elevated agricultural budget. It is not just a return to the 1955 structure in which the conservatives and reformists opposed each other; the habit of everyone trying to induce profit has shown up again in Japanese politics.

The Murayama government does not seem to be too eager for deregulation, while it is eager to spread money through the national budget. The Hosokawa and Hata governments, at least vocally, advocated deregulation and administrative reform. Why does it sound so hollow when Prime Minister Murayamas insists in the extraordinary Diet session that "carrying out administrative reform is what this cabinet must tackle with all its might?" I do not detect the resolve that they want to realize deregulation even if it means confrontation with the bureaucratic structure and the public workers labor unions.

They are supposed to be putting together a five year plan for deregulation within this year. But the work is not showing progress. What is noticeable are the demands from the United States and the European Union (EU) on Japan concerning deregulation.

The special corporations reform bill which had been proposed by the New Party Sakigake [Harbinger], one of the coalition parties, has also been shelved. This is a bold proposal which will seek to privatize 22 [public] corporations and to abolish three corporations, such as the Livestock Industry Promotion Corporation, among others, out of a total of 92. These measures will lead to a reduction of expenditure of 1.7 trillion yen annually. Yet the coalition government is not wrestling with the issue head on. Kasumigaseki [the central government bureaucracy] is even more cool toward it.

The Murayama government is seeking to deal with various requests, but beyond that, it does not seem to have any economic policy concept. That is the reason it cannot get out from under bureaucracy-led economic management. A good example is that the tax reform stopped with a two-tiered income tax cut, an ambiguous countermeasure operation for the middle class which lacked any concept. Just like the national welfare tax concept under the Hosokawa government, a de-facto tax increase line was carried through. The fact that this government is in the hands of MOF reaucrats has not changed.

Part of the responsibility for Japan being far from achieving economic reform is also found in the lagging policy discussion of the opposition parties, that is the former coalition parties. Their boycott of important Diet debates on the tax system, merely on technical grounds such as the selection of dates, reminds me of the tactics of the permanent opposition parties. It is still not clear to the Japanese people in what way their policies differ. Unless a structure emerges in which the parties compete with policies and not with empty political games, there is a danger of alienating people from politics because of their mistrust of it.

Bold Deregulation Must Be Realized

Whichever government [is in power], the task the Japanese economy must wrestle with is clear. There is no course other than to go forward with bold structural changes in response to the changes in the global economy. The purpose must be clarified as to why deregulation must be carried out and prioritized deregulations centering on such industries as information communication, finance, and agriculture must be targeted.

In particular, to prevent the hollowing out of finance, which is the heart of the Japanese economy, it is necessary to come up quickly with comprehensive countermeasures. Along with eliminating complicated regulations, we must re-examine and realize a tax system with such features as abolishing the securities transaction tax and adopting taxation based on total income. In the MOF, the financial-related bureaus and the Tax Bureau are criticizing each other over this issue. This is a situation of "putting the bureau's interests first, not the ministry's." Finance Minister Takemura's leadership is being questioned.

It is true that when a measure for structural change, such as deregulation, is adopted, it triggers temporary deflation. To carry through such a change smoothly, a propping-up with macroeconomic policy, such as financial and monetary measures, is essential. Public investment must be steadily increased while its content is constantly reviewed and its efficiency improved. The price revolution increases the consumers' real income, but at the same time, it runs the risk of worsening the debt deflation. It is necessary for the monetary policy to pay closer attention to the effect the price revolution has on business conditions.

Business conditions have finally turned upward. But the after-effect of the bubble's burst still remains, and the structural problems of the Japanese economy in a changing global economy have not been solved at all. Unless we hurry to change the structure, long-term stagnation cannot be avoided for Japan. Nothing is as dangerous as putting off the issues until later, uusing the excuse that they are "mid-range issues." Wasting any more time is not permissible.

Editorial on Proposed Constitutional Changes

OW0511171594 Tokyo YOMIURI SHIMBUN in Japanese 3 Oct 94 Morning Edition p 3

[Editorial: "For Fruitful Debates on the Constitution"]

[FBIS Translated Text] The work of reassessing the Constitution, which YOMIURI SHIMBUN has continued for nearly three years, is now entering a crucial stage. A draft amendment to the Constitution, which YOMIURI SHIMBUN published in today's issue, is a result of this work.

We have thus far made a variety of assertions and proposals about the desirable status Japan should take and the desirable road Japan should follow in the international community. The presentation of the draft amendment to the Constitution is an extension of our position on the Constitution.

The World and Japan Have Changed Greatly

Half a century is about to have passed since the current Constitution was enacted. In the intervening years, Japan, which was beset by the devastation and poverty shortly after World War II, has since transformed itself into the second largest economic power in the world. Meanwhile, the world, which went through the East-West Cold War and then drastic changes following the collapse of socialism, is now faced with an unpredictable future.

When we think of how Japan should transform itself in the political, economic, and social fields to prepare itself for the 21st century with those great changes that have taken place both in the world and Japan in mind, we cannot turn our eyes away from the issue of searching for a desirable constitution as the basis of Japan's statehood.

In Japan, the long-standing debate on rewriting the Constitution has been limited to the issue of whether the Self-Defense Forces [SDF] are constitutional or not under Article 9 of the Constitution, while focusing simply and excessively on the issue of whether the Constitution pursues "war or peace." As a result, the debate on amending the Constitution has been seen as taboo.

Germany has rewritten its Constitution (the Basic Law) 41 times during the post-war years. As far as a constitutional amendment is concerned, Japan has been in an absurd situation while other nations around the world have frequently amended their constitutions.

The ruling Social Democratic Party of Japan [SDPJ] made a 180-degree turnaround in its interpretation of the Constitution to recognize the SDF as being constitutional shortly after the Murayama government was inaugurated amid the political instability at home and drastic changes in the world.

The SDPJ, which had long regarded any debate on amending the Constitution as ta"co? has been a key political force engaged in a campaign to "defend the Constitution." The SDPJ's policy of "defending the Constitution" has been based on the theory of viewing the SDF as unconstitutional and opposing any amendment to Article 9 of the Constitution, and the "pro-Soviet Union and anti-U.S. ideology."

With the SDPJ making a policy shift in the face of the historic changes taking place in Japan's political and social situation, it can be said that the structure of post-war political confrontation in Japan over the interpretation of the Constitution's Article 9 has completely broken down.

To Enhance Confidence in Japan in the International Community

It can be said that at long last, conditions have been created for the Japanese to debate with composure the issue of amending the Constitution, transcending the emotional dimension of "war or peace."

Although the issue of whether the SDF is constitutional or not has been settled politically, it is true that the Constitution's Article 9 carries an expression that can easily spark a controversy over its interpretation.

The draft amendment to the Constitution explicitly defines the SDF's status by saying, "Japan shall form an organization for its self-defense." In a bid to keep Japan from becoming a military power, the draft amendment also prohibits Japan from possessing nuclear weapons and weapons of mass destruction, and adopting a conscription system.

The possibility that Japan will move back again to the past nationalism and militarism is nil in the light of the people's historical experiences, stable democratic parliamentarism, and the structure of the industrial society in Japan. We believe that if Japan, as an economic power, makes clear these self-restraints, it will enhance confidence in Japan in the international community.

Japan Needs To Expand Basic Human Rights

As the international situation has changed and Japan's national strength has grown, the role and responsibility that the international community is asking Japan to play and fulfilo have become diversified. In a bid to make Japan meet the needs of times, the draft amendment to the Constitution creates a new chapter for "Japan's international cooperation" and calls for Japan's vigorous participation in international activities.

It goes without saying that the issue of rewriting the Constitution is not confined to its Article 9.

Such ideals as the people's sovereign power, the respect of basic human rights and pacifism in the current Constitution are the universal principles of humankind that Japan shoulduphold in the future. The people should constantly re-examine, elaborate and expand those principles to enable Japan to uphold them. Environmental problems arising from industrialization and the development and expansion of the economy, which no one anticipated at the time of enacting the current Constitution, have become an issue for humankind. As a publishing and visual culture has developed, an information-related technology has emerged and the social structure has become complex, the awareness of rights for privacy has spread around the world. A new human rights provision concerning the protection of privacy and the right to protect the individual environment must be created in the Constitution in keeping with the global trends of recent years. In Japan, civic groups and political parties have waged campaigns aimed at establishing new human rights and the right to protect the individual environment. Those civic groups and political parties should have advocated the need to write a better constitution while waging their campaigns. We believe that perhaps, the tradition of viewing a constitutionl amendment as taboo in Japan has kept the human rights campaign from spreading throughout an.

National Debate With Broad Vision

A trial on a law suit requiring a constitutional judgment tends to last 10 or 20 years, and this could constitute a violation of human rights. In Europe, a growing number of nations have been creating constitutional courts, and this is a noteworthy trend.

The draft amendment to the Constitution, which YOMIURI SHIMBUN proposes, discusses the possibility of creating a constitutional court in Japan and offers a specific provision concerning the constitutional court.

Popular awareness of the Constitution has been changing for a few years. Various public opinion polls have shown the supporters of a constitutional amendment exceeding its opponents. A recent public opinion poll by YOMIURI SHIMBUN showed 65 percent of those polled supporting the debate on the Constitution as "desirable."

In connection with moves toward realigning the established political parties, the question of how to deal with amending the Constitution has become one of the focal points in the political world. Politicians tend to focus their debates only on the security issue. As a result, politicians have tried to avoid holding any debate on amending the Constitution. Political parties should debate amending the Constitution with broad vision.

We have no intention of insisting that our draft amendment to the Constitution is perfect. We welcome any indication of questions and defects about our draft amendment. What we hope is that such an indication and criticism of the draft amendment will trigger a national debate on the Constitution.

Yoshiro Mori on Rumored Cabinet Reshuffle

OW0811140594 Tokyo NIHON KEIZAI SHIMBUN in Japanese 8 Nov 94 Morning Edition p 2

[FBIS Translated Text] At a news conference held on the afternoon of 7 November, Secretary-General Yoshiro Mori of the Liberal Democratic Party [LDP] commented on the possibility of a cabinet reshuffle after the extra Diet session.

He said: "I don't think the prime minister plans to reshuffle the cabinet, and I don't think this issue should be discussed at this moment."

Possible Delay in Passing Election Reform

OW0811135794 Tokyo KYODO in English 1315 GMT 8 Nov 94

[FBIS Transcribed Text] Tokyo, Nov. 8 KYODO—The passage of a package of election reform bills through the Diet may be delayed until Nov. 21 from the expected date of Nov. 18, ruling coalition officials said Tuesday [8 November]. Some members of the ruling coalition are calling for a delay of the passage because of uncertainty over whether a plenary session of the House of Councillors can be convened on Nov. 18 as scheduled.

The leaders of the Liberal Democratic Party and the Social Democratic Party [of Japan], the two main components of the ruling coalition that also includes the small New Party Sakigake [Harbinger], have decided on the delay, the officials said.

The bills to put the finishing touches to the election system overhaul in line with the political reform bills that passed the Diet in January have already cleared the House of Representatives.

The passage of the bills, which is seen as certain since the Japanese Communist Party is the only party opposing them, will set the legislative basis for the new lower house election system of single-seat constituencies coupled with proportional representation.

The package includes a bill for constituency demarcation and one for tighter restrictions on political fund raising.

Incumbent Dietmen Prefer New Electoral Districts

OW0811130894 Tokyo YOMIURI SHIMBUN in Japanese 5 Nov 94 Morning Edition p 1

[FBIS Translated Text] Now that it is likely that the bill for drawing up the single-seat electoral district lines for the lower house will be enacted during the current Diet session, YOMIURI SHIMBUN conducted a survey of incumbent lower house dietmen to find out their intentions on running in the next lower house election. The process of tallying up the answers to survey questionnaire, conducted on the assumption that the next lower house election will be held under the new system, was completed on 4 November. The survey shows that 277 incumbent members of the House of Representatives, or a majority, have chosen their electoral districts. Of the 277 members, 256 people disclosed the electoral districts in which they would run during the election. The survey shows that candidates—those who belong to the same party, the ruling coalition, or the opposition group called "Reform," which will form the New-New Party—will be competing against each other in as many as 26 districts. However, some lower house members still have not chosen the electoral district in which they want to run, and some others would not disclose which districts they had selected. Also, the actions of new candidates and former lower house members have to be taken into consideration. Therefore, the survey shows that it is difficult for the lower house members to coordinate among themselves.

The survey was conducted from 28 October to 1 November. Of the 511 lower house members who had been asked to participate in the survey, only two people did not respond.

Of the 509 lower house members who responded to the survey, 256 named specific single-seat electoral districts in which they would run, but 21 others, including former Prime Minister Noboru Takeshita (of the Liberal Democratic Party [LDP]), would not disclose which districts they had chosen, according to the survey.

A total of 167 ruling coalition members, including 124 members from the LDP, 31 members from Social Democratic Party of Japan [SDPJ], and 12 members from Sakigake [Harbinger] , said they had decided on their electoral districts. Ninety-four members of the opposition bloc, including 23 Shinseito [Renewal Party] members, 28 Komeito [Clean Government Party] members, and 23 members of the Japan New Party said that they had chosen their districts. The Japan Communist Party [JCP] is not included in the opposition bloc.

Of those who said they disclosed their district choices, 129 said that they would also vie in the proportional representation system. In this way, the survey shows that many lower house members want to register their names under the proportional representation system.

In 64 districts, at least two incumbents will be running for the same seat. Of the 64 districts, LDP incumbents will compete against each other in 10 districts. In 11 districts, members of the ruling coalition—the LDP, SDPJ, and Sakigake—will go head-to-head; LDP candidates will compete against candidates from the SDPJ or Sakigake in most of these 11 districts. Therefore, it is expected that coordination within the LDP or campaign cooperation among the ruling parties will be difficult.

Non-communist opposition party members will compete against each other in five districts, according to the survey. In reality, however, the number of districts wherein the non-communist opposition party members compete against each other will be considerably larger because many lower house incumbents have not chosen the districts in which they would run or said they could not disclose their district choices.

Nine people said that they would vie only in the proportional representation system. They are the LDP's former Lower House Speaker Hajime Tamura of the LDP, Komeito Vice Chairman Tsumeo Gondo, and JCP members, including JCP Chairman Tetsuzo Fuwa, who aim to secure seats in proportional representation districts.

One hundred ninety-seven lower house members answered that they were "undecided." This includes 21 people who said they had chosen districts but could not disclose their choices. As for their reasons for being undecided, they cited, among other things, that they are "still in the process of coordinating with others" or "entrusting the matter to the party." A total of 44 people said that they could not disclose their district choices for the following reasons: 19 Shinseito members said that they were "instructed by the party not to do so"; 18 LDP members said "they cannot answer because of the position" they are in (according to LDP President Yohei Kono); and some other people said they could not answer "because of their election strategies."

Status of Political Contributions Viewed

942A0723A Tokyo SENTAKU in Japanese Sep 94 pp 122-125

[Unattributed article: "Japanese Sanctuary Series 239: Current Status of Political Contributions—Effects of System Reform"]

[FBIS Translated Text] Approval of the Single-Seat Electoral District Redistricting Law is now assured during the special Diet session to be called on 30

September [1994], finally bringing political reform, which was inspired by the Recruit scandal, to one of its goals after entering its sixth year of twists and turns. The main feature of the pending reform will be the "introduction of the single-seat constituency with proportional representation system into the House of Representatives" but will include fundamental reform of the political funds system such as the "introduction of political party subsidies." On the other hand, such system reforms are being preceded by rapidly spreading moves in the business sector to review the status of political contributions in connection with the repeated occurrence of "politics and money" scandals and moves to reorganize the political sector. The relationship between "politics and money," which was the cause of political distrust, has reached a major turning point. However, many questions still remain on whether the new system will reduce corporate donations to individual politicians as intended, whether transparency will be attained in the flow of political funds, and whether it will play an effective role in eliminating political distrust of the public.

Factional Coffers Have Been Empty for Some Time

"Allowances for party employees have been cut substantially because the party has had difficulty in raising funds since it became an opposition party. Allowances have not been restored despite the party's return to ruling party status, and management officials above the department head level have suffered substantial pay cuts."

A veteran Liberal Democratic Party (LDP) employee provided the above statement in describing the recent financial status of the party.

In the case of the LDP, political funds are gathered respectively by the party, factions, and individual politicians, but the money situation is similar with both factions and individual politicians. A junior House of Representative member who recently held a political fund raising party described difficulties in raising money when he said, "During the bubble days, a party would bring in 150 million yen, and half of it would be delivered to the faction leader; however, the recent party didn't bring in even one-half of that amount."

The financial officers of the factions all say, "Our coffers are empty." Each faction traditionally issues a "factional stipend" of 3 million yen to be used for political activities to each senior and junior Diet member without ministerial experience twice a year in July and December, but all factions cancelled the payments for July. Reportedly, the Obuchi faction vacated its former offices at the Sabo Hall which used to be headquarters from the Tanaka faction days and moved into an office in a building near the Diet because "among other reasons, it could no longer pay the high rent."

What sort of picture do we acquire if we pursue political funds on a numerical basis?

Political parties and political organizations submit their financial reports to the Minister of Home Affairs if their activities cover two or more prefectural jurisdictions and to the applicable prefectural election administration office if they are limited to a single prefectural jurisdiction.

Accounting reports for last year which were of interest because of the change in government will not be available until figures are released by the Ministry of Home Affairs on 8 September, but the reports for the 1992 indicate political donations collected centrally and reported to the Minister of Home Affairs totalled 174 billion yen while those collected at local levels and reported to prefectural election administration offices totalled 158.3 billion yen, providing for an overall total of 332.3 billion yen. The figure fell by 26.8 billion yen (7.8 percent) from historically high levels in 1991, reflecting a peaking out of political donations.

Collections by political party shows that the LDP gathered 25.5 billion yen on a central basis and 22.3 billion yen on the prefectural level for a total of 47.8 billion yen. About 40 percent of the central portion consisted of donations from corporations and industrial organizations.

Among individual politicians, former Minister of State Toshio Komoto ranked highest with 770 million yen, followed by collections ranging between 500 and 600 million yen for former Deputy Prime Minister Michio Watanabe, former Prime Minister Miyazawa, Secretary General Yoshiro Mori, and former Prime Minister Takeshita.

Further, political funds collected by the various LDP factions reached about 6.5 billion yen. The Mitsuzuka faction gathered 1.8 billion yen and the Miyazawa faction collected 1.0 billion yen.

Among other political parties, the Japan Communist Party [JCP] collected 33.6 billion yen centrally and 19.8 billion yen locally for a total of 63.4 billion yen, marking the second year in which it ranked on top for both central and local revenues. Most of the revenues came from sales of the organ newspaper AKAHATA.

Komeito collections totalled 19.6 billion yen including 15.7 billion yen for central collections and 3.9 billion yen for local collections, Social Democratic Party of Japan [SDPJ] totalled 13.7 billion yen including 6.6 billion for central and 3.3 billion yen for local, Japan Democratic Socialist Party [DSP] totalled 5.8 billion yen including 2.5 billion yen for central and 3.3 billion yen for local. The Japan New Party [JNP] filed no report on local collections, but reported revenues of 600 million yen at the central level of which three-fourth was a loan from party president and former Prime Minister Hosokawa. Shinseito and Sakigake will begin filing accounting reports beginning for the year 1993. According to government sources, the "1955 system" framework had survived until June when the LDP was fragmented, preventing any dramatic changes despite modest reductions in overall revenues compared to 1992.

Further, circumstances surrounding the situation in which LDP sources complain of recent tight money conditions will not be clarified until publication of accounting reports next fall for 1994, but in any event, as industry sources have uniformly revealed, an LDP financial officer explains, "Even if the figures carried in political funds statements do not reflect a major change in revenues, the real situation has deteriorated sharply."

Steady Advance in Business Sector's "Restraint of Donations"

Especially conspicuous are changes in the posture of the business sector. When the non-LDP alliance Hosokawa administration was born in August 1993, Keidanren ceased to operate as a conduit for the LDP and DSP as it had in the past to the tune of about 12 billion yen a year.

Because of that change, the LDP and DSP have been forced to make the rounds of individual corporations and industrial organizations to solicit donations, but Keidanren's posture has influenced other principal industrial organizations, causing a considerable advance in the industrial sector's aversion to making political donations.

In fact, according to a survey as of the beginning of July immediately following the birth of the LDP-SDPJ-Sakigake coalition government, the Japan Iron and Steel Federation and Japan Petrochemical Industry that had previously donated a combined total of 100 million yen to the LDP and SDPJ cancelled this year's donations while almost all of the principal industry organizations such as the Japan Automobile Manufacturers' Association postponed donations. Then, there are organizations such as the Cement Association of Japan which halved its donations from the previous year. As a result the LDP is unable to receive substantial donations from industry organizations and is forced to rely on donations from principal corporations.

Among major causes for Keidanren to discontinue its role as conduit of donations and for industry organizations to postpone donations are the decline in significance of making donations "to protect freedom and the market economy system" because of the collapse of the East-West Cold War and the completely clouded and turbulent political situation in the past year ranging from "the split in the LDP, birth of a non-LDP administration, and establishment of the LDP-SDPJ coalition government."

Officials of major trading companies who have decided on freezing donations even say, "It would be difficult to provide an explanation to shareholders if we were to continue making donations similar to the past amidst the current reorganization in the political world. If we were to experience a shareholders' class action suit for donations to the opposition party, there is the potential that such donations will not be recognized as legitimate donations." Although the LDP has been restored to government power, it is a case where corporations must be cautious about donations amidst the political turmoil as there is no telling when the LDP will fall back into opposition party status.

Another major factor is the impact of last year's general contractor scandal. As symbolized in the resignation of Kajima Chairman Rokuro Ishikawa from the position of president of the Japan Chamber of Commerce and Industry, the general contractor scandal expanded into an industrywide stigma, leading to the withdrawal of Keidanren from political donation projects, but the impact of the scandals went further.

Reportedly, money that actually changes hands for political purposes is, in reality, three or four times the amount officially reported in the political fund statements. The huge tax evasion charges filed against former LDP Deputy President Shin Kanemaru amounting to several billion yen gave a glimpse of the enormity of the illegal donations flowing into the political world.

Much of such illegal donations is accounted for on the corporate side as "purpose of disbursement unknown." The National Tax Agency's audits for the one-year period ending in June 1992 for major firms capitalized in excess of 100 million yen uncovered 55.8 billion yen in "purpose of disbursement unknown" funds and two-thirds (38.2 billion yen) were attributable to the construction industry. When combined with information on general contractor scandals, these figures tend to bring credence to the charge that "the general contractor industry is the largest source of illegal donations."

It is said that the general contractor scandals that invited severe public criticism caused an unprecedented situation in which almost all major firms of the construction industry as well as small and medium subcontracting firms have ceased to make official and illegal donations. A secretary of a Miyazawa faction official who is in charge of collecting funds states, "General contractors were once the largest contributors to almost all LDP Diet members. The fact that that industry has suspended donations is painful, regardless of figures once carried in donation accounting reports."

Political parties facing difficulties because of this situation include the LDP, DSP, JNP, and parties that represent renegades from the LDP such as Shinseito, Sakigake, Liberal Party, and Mirai, but even the SDPJ whose donations from labor unions are tapering off face a major problem with the raising of funds. The respective parties exclusive of the JCP are all in favor of the early implementation of the political party subsidy program because of such internal situations.

Political Party Subsidy Program Will Bring 13.3 Billion Yen to the LDP

Now, the question is, in what way will the money flow when the new system for raising political funds goes into effect?

To begin with, the political party subsidy calculated at the rate of 250 yen per Japanese citizen, a total of 30.9 billion yen, is allocated to parties on the basis of the number of Diet members belonging to a party and the number of votes garnered during elections of both houses. However, a stipulation exists that limits the subsidy to "no greater than two-thirds of a party's prior year gross revenues, exclusive of loans and political party grants." Subsidy calculations for all parties, with the exception of the JCP which says it will not apply for the subsidy and nonaffiliated parliamentarians, come to roughly 13.3 billion yen for the LDP, 6.5 billion yen for the SDPJ, 3.3 billion yen for Komeito, 2.7 billion yen for Shinseito, 1.8 billion yen for JNP, 1.3 billion yen for DSP, 900 million yen for Sakigake, 700 million yen for the Democratic Reform Alliance, and 100 to 200 million yen for the Liberal Party, Mirai, and Sport Heiwa Party. Since local revenues are added in when computing party revenues to determine the upper limit, it appears the upper limit restriction will not apply to the LDP, the SDPJ, Komeito, and DSP. However, unless Shinseito, Sakigake, and JNP accumulate considerable donations and other party revenues by December 1994, there is the possibility that they will not be able to earn their allowable share of subsidy. Particularly, JNP and Sakigake will face difficulty in this respect because of their large borrowings.

Sakigake has planned political fund raising parties for Tokyo at the end of June, for Osaka in mid-July, and Hokkaido and Kyushu before year-end mainly for the purpose of recording revenues from such sources. However, mention has been made that "if the political fund raisers do not produce enough revenues, party members can contribute to the party concerned, and then the party can turn around and return the money as political activity expenses in order to meet the requirements of the subsidy calculations."

In any event, we cannot deny that the "two-thirds stipulation" has inspired increased activity in the area of fund raisers at the respective parties. As an example, the LDP which had previously limited its prefectural fund raiser parties to "once in three years" has revised party rules so that they can be held annually, and sources at Shinseito are saying, "When the opposition party new-new party is formed, we will hold parties throughout the country. Our goal will be 10 billion yen."

Use of political party grants are not limited in any way in respect for "freedom of political activity." Because of this philosophy, party executives, especially the secretary general and representative secretary of parties such as the LDP, have the potential of becoming more powerful than they were before. It appears a new issue that will face each of the parties will be the question of how they will preserve democratic party management inclusive of money matters.

Some informed sources make reference to the French experience concerning the introduction of the party subsidy system in saying, "Those who say they wish to use money without restrictions leave the party and such departees may start a move to form their own new party."

The other principal feature of political reform covered in the revision of the Political Funds Control Law provide: 1) Donations concerning routine political activities of individual politicians will be completely prohibited with the exception of those coming from the party; 2) Corporate and organizational donations will be allowed for political parties and one political funds management organization which is represented by a politician himself, but this provision will be abolished in five years; 3) Corporate and organizational donations to political fund management organizations will be limited to 500,000 yen a year versus 1.5 million yen currently while public disclosure of the donor will be required for donations in excess of 500,000 yen versus the current 1.0 million yen; and 4) Public disclosure of party fund raiser tickets will be required for purchases in excess of 200,000 yen.

The current system, which is called a law with many loopholes, poses no restrictions on the number of political organizations that a politician may control. Thus, if a politician establishes many political organizations and accepts donations in amounts below 1 million yen which does not require public disclosure of the donor's name, he can accept a huge amount of donations.

The recent revision of the law closes such loopholes, strictly limits donations from corporations and organizations to individual politicians and channels funds through the political parties. And, enhanced transparency of political funds is anticipated owing to the lower figures used as a basis for disclosure standards.

Comments Voiced That "A Variety of Loopholes Still Exist"

A view frequently heard from sources such as the Ministry of Home Affairs concerning the appointment of politicians themselves as heads of funds management organizations is that "it should have a significant impact on prevention of corruption." Concurrent with the establishment of strict penalties including suspension of civil rights for violations concerning political funds, the same source reveals, "The new law is such that you cannot blame secretaries for violations of that nature and any violation can lead to the immediate disqualification as a Dietman, making it unavoidable that all politicians will be cautious in the handling of money."

However, even before the new system has gone into effect, comments are heard on "loopholes."

The first such loophole is represented in so-called "donations with strings attached" in which corporations and organizations make contributions to a political party under the condition that they will be passed on to specific politicians. Corporate donations to political parties are not subject to the 500,000 yen annual limitation imposed on individual donations and can reach as high as 100 million yen based on the size of the capitalization.

The second loophole consists of a situation in which a politician establishes a number of party branches for each minor area within his electoral district and disperses windows for receipt of donations. Once the small electoral districts become operational, the possibility will increase that the applicable party branch will be controlled by the party candidate, and even if donations are received in the party branch, the effect will be the same as a receipt by the individual politician's funds management organization.

The third loophole consists of the method whereby the donation is in substance a corporate donation but is treated as a personal donation from a corporate officer as a matter of formality. Similarly, ideas that have surfaced include donations made in the form of advertising fees for politicians' support organization publications and fees for seminars.

Further, transfers of monies among funds management organizations are sanctioned, enabling large political donations from corporations to LDP factional leaders to be collected as a matter of formality as disbursements to affiliated Diet members' funds management organizations. A secretary of a Watanabe faction official boasted, "Even if we come under the new system, we'll be able to gather adequate funds as in the past because of a variety of loopholes."

On the other hand, individual corporations and industry organizations have manifested a recent trend in which they place more emphasis on donations to individual politicians who will protect industry interests, rather than on donations to political parties which are more akin to "premiums on term insurance." In reality, the aim of the new system calling for "convergence of funds in the political party" will not function very smoothly in the world of politics and money.

Another point that comes into question in terms of trends in political funds under the new system is how many of the 300 new small lectoral districts will become highly contested. In Europe and the United States, the potential for reelection by the incumbent is higher and uncontested electoral districts are more frequent in what is the equivalent of Japan's small electoral district as opposed to the medium electoral district. However, during the transitional period in which the small electoral district and reorganization of the political world stabilize, it is conceivable that costly and highly contested electoral districts such as the Amami electoral district will increase in considerable numbers, and political funds will increase contrary to expectations.

Generally speaking, political donations will be divided between that which is handled by the political party and that which is gathered and used by individual politicians, bringing to an end the role of the faction even in the area of money. Further, the percentage of party funds donated by corporations and organizations will decline and public funding will play an augmenting role. On the other hand, individual politicians are expected to utilize a variety of methods in gathering money from corporations as has been done in the past.

Political funds represent a "democratic cost." However, if they assume extravagant proportions, we run the risk of facing "money politics" controlled by money. It is critical that the public exercise strict surveillance over trends concerning "politics and money."

SDPJ's Position on Defense Policy Examined

942A0720A Tokyo EKONOMISUTO in Japanese 13 Sep 94 pp 52-55

[Article by Katsuya Hirose, professor, Hosei University: "The Policy Debate Cannot Begin Merely With SDF Constitutionality"]

[FBIS Translated Text] Finally, we have an environment in which realistic defense debate is possible. However, not one important thing, such as examination of "minimum necessity," etc., is being done. Defense debate in the policy dimension will be hastened.

Will Policy Debate Begin?

The fact that Prime Minister Murayama, head of the Social Democratic Party of Japan [SDPJ], set forth the concepts of the constitutionality of the Self-Defense Forces [SDF] and adherence to the Japan-U.S. Security Treaty, should, when considered in common-sense terms, become a fundamental turning point in the blueprint of postwar Japan's defense debate. This is because conflict about the constitutionality or unconstitutionality of the SDF and the Japan-U.S. Security Treaty among other things was determined from the foundation of the defense debate.

However, when one considers to what extent defense policy and defense debate in the end are connected or separated, significant doubt remains as to whether the turning point in this summer's defense debate will become a turning point of defense policy. At this time, it is still too early to make a judgment. However, considering what has transpired up to now, it appears that the likelihood is great that either the defense debate blueprint has changed but defense policy will not, or that the relationship between the political world and defense policy will not change.

To my thinking, due to the fact that conflict in defense debate is fundamental, the gap between the substance of defense debate and defense policy had become larger. At least, that assertion can be made about the period after the end of the 1970's, when the defense program outline lost its policy-determining ability as a quantitative framework for defense capacity.

In the domestic political process, Liberal Democratic Party [LDP] politicians and opposition party politicians centered on the SDPJ have engaged in an ideological and doctrinal defense debate. However, what was set at issue there concerned dialectical demonstrations of the constitutionality of individual policies by the government. The strategy of the opposition parties, which took this as an opportunity for changing precedent as a policy, was to place emphasis on finding procedural flaws and contradictions in constitutionality arguments made by the governing party. The strategy used by the LDP against this was to abstractly stress as much as possible the following of precedent without touching on policy specifics, thereby avoiding further pursuit by the opposition parties. As a result of that, defense debate ceased extending to the substance of defense policy and security policy that lay ahead of the argument of constitutionality.

Meanwhile, most of the content of the specific SDF defense policy has been determined by Defense Agency and SDF specialists based on their own judgment. Of course, that is not to say that they have been able to freely determine policy in the vacuum of their own world. Predicated on a domestic political environment in which the evolution of defense debate is avoided as much as possible and on an international environment that is determined on the basis of the Japan-U.S. relationship, the people in charge of policy in the Defense Agency and SDF have established autonomy as policy specialists, and have accumulated a way of behaving in order to maintain that. As a consequence, a condition in which the political world and the policy world are substantively isolated from each other has come into being.

So, how will this situation of isolation between the dimensions of politics and policy be influenced by dissolving the conflict of constitutionality or unconstitutionality in the defense debate? Could it be said that conditions have been met in which debate in the political arena is now possible on the content of substantive defense policy? The new Sakigake [Harbinger] party's acting representative, Shusei Tanaka, has stated, "Where will the line be drawn on defense for defensive purposes only? By the SDPJ having entered the same playing field with us, we welcome the fact that constructive argument will be possible." However, this should probably be viewed more as an expression of expectation than a recognition of fact.

The current situation is probably only that the conditions preventing substantive defense debate have been eliminated and not that the conditions for making that debate possible have been satisfied. At least, judging by the movements surrounding this summer's defense budget, the wall separating the political dimension and the policy dimension is still thick and there is as yet no indication that any conscious effort is being expended to bridge the gap.

Distinction Between Budgetary Restraint and Military Reductions

By means of next fiscal year's budget request ceiling, the rate of expansion of defense expenses reached a record low rate of increase at 0.9 percent. Although the SDF is recognized as being constitutional, it is reported that this decrease in expansion is a result that reflects the SDPJ's stance of aiming in the direction of arms reductions that conform to the post-cold war situation.

Embarking on a course of military reductions is one view. However, it appears that estimates have not been made regarding specifically what sort of military reduction will be advanced by means of a numerical limitation that restricts the rate of increase of the defense budget. Based on a limitation of a 0.9 percent increase, the work of how to formulate the budget is currently being advanced at the Defence Agency. The content of the Defense Agency's rough estimate budget request is not clear at the time of this writing. However, according to what has been communicated up to now, it appears that for the time being some of the expense items under consideration for being cut in next year's budget are, in addition to exercise expenses and base countermeasures expenses, etc., the "sympathy budget" [omoiyari yosan] for U.S. troops stationed in Japan, among others.

Meanwhile, no particular policy for curtailment has been forthcoming concerning the content of equipment to be procured. This is due to the fact that the majority of outlays for equipment expenses consist of payment for items that were ordered prior to last fiscal year, so there is little that can be randomly cut in a single given fiscal year; also, concerning the amount for orders for the current fiscal year, since the structure is such that the rate that must be paid within a given fiscal year with respect to the amount ordered is not determined, it is somehow possible to at least put items on order even if there is no available budget.

In short, premised on the current structure of defense capacity improvement, the policy of using the budget of a single fiscal year is not well suited as a measure for controlling weapons procurement. Even if the budget is restrained within the context of individual fiscal years, it would not lead to a reduction in the military, although the preparedness of the SDF would probably suffer. In order to achieve tangible military reduction, it will be necessary to build a program for reduction on a level of planning that extends over several fiscal years along the lines of the Midterm Defense Program.

As a decision made at the initial assumption of power, one cannot deny the fact that there is varied political significance in a wide symbolic indication of policy by keeping the rate of increase in the annual fiscal budget low. However, this just ends up making obtaining such visible results as budgetary restraint itself the objective and, if management within those limitations is left to the Defense Agency and the SDF, there is some question as to whether military reductions can ultimately be achieved.

This year marks the second time that the SDPJ has participated in the formation of the defense budget as a governing party. In the formation of the fiscal 1994 budget, the SDPJ was in charge of a wing on the side of the Hosokawa coalition government. Its "track record" at that time was that, although it called into question at one point the introduction of the AWACS (airborne warning and control system), it accepted the rationale that canceling an order that has already been made is impossible. On that occasion, it is reported that the SDPJ did strongly request and have realized was to keep the rate of defense expense increase to within 1 percent. The 0.9-percent figure for the defense expense increase that is a "positive result" of this time has once again appeared as a limit for the rough estimate budget request of next fiscal year's budget. Whether the same type of thing will be repeated in the budget formation that will extend from this fall until the end of the year will be a crucial turning point.

In observing various foreign nations when they are addressing the issue of full-fledged military reductions, on occasion there will be a discontinuation of the purchase and deployment of new weaponry even though it means paying exorbitant cancellation fees. This is likely the result of the judgment that introduction of little-needed weaponry which requires maintaining troops capable of using it would cost much more in the long run. With the SDF budget as well, the purchase of weapons that are judged to exceed the minimum necessity (this refers to weaponry deemed unconstitutional according to the government's constitutional interpretation) would be suspended even if it incurs fairly large cancellation penalties. However, in the case of basic defence capability, there is supposed to be an option of securing adequate exercise expenses to maintain a high level of preparedness. Although it is not possible to reduce defense expenses in the short-term, the option does exist of taking steady steps toward military reductions. Would it be possible, for instance, to assert that efforts for the purpose of preparing to realize this type of policy option are now beginning? According to the trends up to this point, one cannot help but think that we are heading in the opposite direction.

Transcending Specialists

As mentioned above, in order to achieve the objective of military reduction, control of the annual budget formation is insufficient. Having recognized that the SDF is fundamentally constitutional, if it is the basic policy of the administration to aim for military cuts while checking the content of the defense capacity, how to grapple with the work of revision of the Midterm Defense Program will emerge as a more critical task than even the fiscal 1995 rough estimate budget request limit. First of all, there will probably be questions about how to handle the recently submitted report by the Defense Issues Council.

This council itself was established prior to the Murayama administration, and one gets the strong impression that the content of the report it quite at variance with the current administration's policies. Although it is not necessary to be bound by that content, it is probably necessary for it to be useful in the work of future Midterm Defense Program revision as a case study in the deliberation process of this type of organ about defining the limits indicating political orientation as well as the relationship between specialists and men of learning and experience who are amateurs. This is because, by placing this council under the prime minister instead of the Defense Agency, which is different from the time of past defense policy revision, ascertaining what was possible and what was not possible will be an important point when considering future defense policy examination methods. Because the policy orientation of "advancing with military reductions toward a defense capacity that is appropriate in the post-cold war context" is not becoming devoid of substance or being lost sight of, serious examination about how to secure political leadership is required.

Persons related to the Defense Agency should have a set image concerning upgrading future defense capacity based on judgment of the situation as specialists. The very fact of receiving assistance from specialists means being sold on that sort of concept of the future. However, if contextual changes are fundamental, a future policy concept must be set up based on a revision from ground zero of what, for specialists, is "common sense knowledge" that has been accumulated up to now. And this questioning from ground zero is the most difficult of all tasks for specialists. Since specialized knowledge is supported by the attitude of learning from accumulated past, the specialist is a fundamentally conservative being. Although the cooperation of specialists is indispensable in creating feasible and effective policy, on the other hand, just relying on specialists means that fundamental policy transitions cannot be made.

If politicians who possess ultimate decisionmaking power in policy would debate in an open manner before the nation as amateurs not tied down by preconceived notions on future defense concept orientation, it would make fundamental policy changes possible that could transcend the conservatism of the specialists because it would involve setting forth an orientation backed by the support of the people. Right now, however, it appears that the Murayama administration's defense policy is going to start with a swallowing whole of the past and that, apart from its slogan of military reduction, it is not equipped with the requisite conditions to exhibit political leadership for policy transition.

What Is Meant by Basic Defense Capability

The instant that the judgement was made that the SDF as it stand is constitutional, Murayama's explanation in the Diet was as much to say that all the policies that have existed from the past, even including elements that have long been the most strongly pointed out as being doubtful in terms of their constitutionality, such as participation in RIMPAC exercises, etc., are constitutional. It is thought that it was said with awareness of its conformance with past policy, but if that were so, specifically what is the "basic defense capability" that is the standard of constitutionality according to Murayama's explanation? Is anything okay as long as one mentions "minimum necessary"? Probably nuclear weaponry and aircraft carriers, etc., that were not introduced during the cold war period would be unconstitutional, but if so, where is the line that separates the constitutionality or unconstitutionality between currently possessed defense capacity and nuclear weapons and aircraft carriers? If they are going to switch to the SDF constitutionality argument, so be it, but there is an urgent need to indicate a definite decision concerning this point.

Even thinking in very common-sense terms, the level that is the minimum necessary defense capacity will probably vary depending on the global environment. Particularly for Japan, situated as it is on the front lines of the confrontation between the United States and Soviet Union, should one not take the view that the environmental change in which the cold war ended significantly altered the "minimum capacity necessary for self-defense"? What should be done now is a concrete examination of the "minimum necessity" predicated on the current global environment. In doing so, it should not be necessary to take great pains conforming with policy that was taken based on the past global environment.

Policy conception that responds to new realities first becomes possible through open debate that does not become bound by precedent and the conventional wisdom of the past. As a result of such debate, if policy is created after obtaining the support of many people and many politicians, reform of defense policy by political leadership becomes possible.

Of course, both the LDP and SDPJ are in a completely incoherent situation concerning the orientation of future defense policy. Too afraid of the risks involved in crushing the battle formation of the party and coalition government by open debate, there is a very good possibility that they will head in the direction of avoiding a split at all costs by achieving "positive results" that are highly visible, such as budgetary increase rates, etc., and avoid engaging in debate. That is the blueprint that is fundamentally the same as the defense policy process under the 1955 system in which politics advanced according to the convenience of the political situation, and the substance of policy advanced of its own accord within the framework of resources provided by the Defense Agency and the SDF. In short, this is nothing more than a continuation of the avoidance of political responsibility vis-a-vis the nation.

Will it be possible to overcome this situation? Already, as long as there is no new policy with a definite centripetal force, the crisis of confusion and division in the political situation will only be prolonged and will yield no solution whatsoever. Whether surmounting that will be possible depends on to what extent the Murayama administration is able to seriously meet the problem head on.

Restraining Social Welfare Spending Examined

952A0017A Tokyo EKONOMISUTO in Japanese 20 Sep 94 pp 29-31

[Article by Hitotsubashi University Professor Yukio Noguchi]

[FBIS Translated Text] It is generally thought that tax increases are inescapable because social welfare expenses will expand in an aging society.

Tax system reform and the social welfare system are closely related. In fact, viewed in the long-term, the ratio of burden on the nation will be pretty much determined by social welfare trends. No matter how many other expenditures are cut by administrative reform, etc., it will not have a significant impact on the national burden rate. It would not be going too far even to say that "tax system reform is a social welfare issue." Therefore, we will examine the relation between tax system reform and the issue of social welfare in the context of an aging society.

Introduction of Means Testing

First of all, we will take a look at pensions. It is pointed out that when a comparison is made of the amount of insurance expenses paid and the amount of pension benefits received for a typical household, there is a significant difference depending on the generation. In the case of a single-income household, up until the generation born in the 1960's, the amount of pension received appreciably exceeded the amount of insurance fees paid. In the case of the generation born in the 1920's, that difference exceeded 60 million yen, more than 80 percent of personal assets (the discounted current value of lifetime wages). In contrast to this, the amount received will be lower than the amount of insurance expenses paid out for the generation born since 1985.

In short, this indicates that the majority of financial resources necessary for future benefits will be procured from insurance fees and taxes in the future. This is referred to as the "assessment method." The pension system is a "system in which one is supported by others." In other words, it is a system of transfer.

As a system of transfer, the proportional compensation pension system is one that is difficult to justify. The reason is that, first of all, the higher the income, the higher the insurance fees and benefits are, resulting in a higher amount of transfer obtained. In fact, the absolute value of the amount of transfer through pensions is as large as income. When the transfer amount is positive, it could be said that higher income people receiving more transfers is something that is difficult to allow when viewed from the standpoint of fairness.

Assuming that transfer cannot be justified in terms of the proportional compensation portion, introduction of a means test to limit benefits is being considered.

A means test is an investigation of the recipient's income-earning capacity, assets, etc., when a public benefit such as social welfare is to be provided, as a result of which a selection is made of people who qualify in an attempt to provide selective assistance. In the actual system, a means test is performed for livelihood protection (public assistance). With regard to social welfare, however, when an insurance accident occurs, the idea that participants can legally receive benefits has become fundamental, and the ability of the recipient is never made a requisite condition for receipt. In short, it has been considered to be a system based upon universal principles in the sense of a right to benefits occurring without being accompanied by a means test.

However, considering that a majority of pension benefits were paid in the past, not with insurance fees that had been in reserve, but were financed by the current and future insurance expense burden, the introduction of a means test concerning the proportional income portion should be justified. Moreover, when one considers that the possession of assets will advance in the future so that a portion of elderly people will possess a large amount of assets, it is probably necessary from the standpoint of fairness to cut a portion of that amount issued when the amount of assets exceed a set limit. In this case, public pensions would end up being paid to elderly people who possess no assets or late term elderly, etc.

Further, the basic pension portion would be considered as a guarantee of the minimum limit, so equal payments would continue without a means test as in the past (however, there is room for revision of the level of payment. Also, to mainly obtain the revenue source of the basic pension portion from tax is a systemic reform also being considered.)

This measure would be performed, as the first consideration, with the objective of achieving a balance between those who possess assets and those who do not. However, simultaneous to this, it will probably contribute to lessening the future financial burden of public pensions.

In this case, the means test will only concern real estate (although residential real estate is central, it also includes other real estate that will be listed) for the time being. This is because the investigation of the amount of assets possessed can be performed easily without invading the privacy of individuals. However, when assets are limited to real estate only, it is also possible that movements to avoid means testing by changing the form of assets possessed could occur. Consequently, it is preferable in the final analysis to include other forms of assets, such as financial assets, etc. Moreover, because there are extremely significant regional differences in real estate prices, this measure will probably be applicable mainly to major metropolitan areas.

Rationalization of Medical Care Expenses

Next, we examine medical care expenses. Per capita medical care expenses for elderly people is much higher than for younger people. Even when one observes the trends in medical care expenses up to now, the increase in elderly medical care is appreciably higher than for medical care of the nation as a whole. Consequently, as the aging of the population advances it cannot be denied that medical care expenses will also tend to increase.

However, this kind of tendency could never be considered something that cannot be controlled. In fact, when one compares internationally the rate of aging of the population and medical care expenses, one does not necessarily find a significant correlation. Even looking at time-series data on Japan, medical care expenses are not necessarily increasing steadily with respect to the population increase.

First, there should be further advancement in reduction of medical care expenses. For some time, Japan's medical care has been referred to as "medicinal medical care" because the ratio of medication expenses was high. Behind this was the problem that, because medicine price standards are higher than the market price and medical care insurance, the more medicine that is used the more the income of the medical care institution increases. This problem has been pointed out for a long time, and although some revision of medicine price standards has been carried out, there is room for further revision.

Second, there is the matter of raising the individual burden for examinations and treatment for mild illnesses. By doing this, nonemergency consultations would be controlled, and reduction of medical care expenses could be expected.

Further, this reform would not be merely for the purpose of reducing medical care expenses, but it is also necessary for the rationalization of the insurance system. With current medical care insurance, although ample benefits are provided mainly for medication for mild illness such as colds, etc., in the case of serious illness where hospitalization is necessary, sufficient benefits are not provided (the problem of differing prices for beds and attended nursing, etc., not covered by insurance). Originally, the insurance system is something that must provide a safety net for true crisis situations.

Insurance for Nursing Care

Accompanying the increasing numbers of elderly people, the need for nursing care also increases. It is correct that the social welfare vision has positioned the question of nursing care as one of the central issues in the future aging society. It is also considered correct that in perfecting the nursing care system, attempts will be made to reduce medical care expenses.

However, there is a vital question concerning whether or not the public sector should take all the responsibility for the supply of nursing care services. In general, the supply of services by public institutions tends to become inefficient. As a result, more emphasis should probably be given to the idea of leaving the supply of services itself to the private sector.

The public sector should be exhaustive in the capacity of checking the quality of service and providing the user with information in that regard (if necessary, it is thought that regulation should be performed as well but providing information is more important).

When the social welfare service is made subject to fees in this way, the question of burden arises. In this regard, the use of an insurance system is being considered. By nature, predicting the occurrence of a situation in which nursing care is necessary is difficult. And, assuming that it will occur with a certain probability, it is thought that handling with insurance is most rational. Moreover, this insurance does not necessarily have to be public insurance.

With regard to nursing care, technological advances in nursing care equipment should also be emphasized. Beds, wheelchairs, bathing devices, etc., will probably allow for reduction of personnel. Assisting in the development of this type of technology and providing subsidies will be the important responsibility of the public sector.

Insufficient Disclosure of Information

Naturally, the above is an alternative proposal. However, the important thing is to make it the subject of debate as one possibility. Many people are under the impression that there are no alternative proposals concerning the increase in social entitlement in aging society. However, they do exist.

In order to deepen this type of debate, quantitative examinations related to specific policy content are needed concerning individual policies. Unfortunately, however, the "21st Century Social Welfare Vision" announced some time ago by a Welfare Ministry research group does not provide information for this purpose. Only after disclosure of information in this regard will debate on tax system reform become "national."

Investment Firms' New Pension Contracts Drop

952A0098A Tokyo NIKKEI KINYU SHIMBUN in Japanese 26 Oct 94 p 1

[FBIS Translated Text] The number of new consignments of domestic corporation pensions by investment adviser companies has come to somewhat of a standstill since the beginning of the second half of the fiscal year. The status of October-December quarter welfare pension fund investment consignment (including informal decisions) is that the largest company, Nomura Investment Advisers, has the highest with the conclusion of five new pension contracts, and there are many that could not be consigned. In addition to the investment environment being unclear, the delay in the approval of the pension reform bill is putting a damper on opportunities for consigned company expansion on the fund side.

Nomura Investment Advisers has contracted for the various welfare pension funds of Daiei, Yakult Honsha, and Okugai Hokoku Display and will start investment in October. Prospects are that they will be consigned investment of two or more funds in November or thereafter. Following Nomura are Daiwa Investment Advisers, Tokio Marine MC Investment Advisers, Industrial Bank of Japan NW Asset Management, Daiichi Kangyo Investment Advisers, Sakura Investment Advisers, and Sanwa Investment Advisers. Each has received consignment from three funds. Following them are Fuji Bank Investment Advisers and Yasuda Fire Brinson Investment Advisers with two funds.

Overall, the start of the second has been sluggish. Besides Long-term Credit Bank of Japan Investment Advisers who concluded contracts with 13 funds in the first half of the fiscal year having been consigned only one fund at the present time since the start of the second half of the fiscal year, many of the foreign capital affiliates which had been putting up a good fight in the first half have not gotten a new contract in the second half. Even in expansion of investment by the fund side, it has been such that the new employment of 11 securities- and bank-affiliated investment advisers by Daiei Welfare Pension Fund has been conspicuous.

Editorial Comments on Pension Reform

952A0099A Tokyo MAINICHI SHIMBUN in Japanese 28 Oct 94 p 5

[Editorial: "Pension Reform Leaves Homework and Promises"]

[FBIS Translated Text] "Finally one or two gains on the offering table." This is what we request from the welfare pension-based pension system reform. When approval of the bill has become certain, let us check whether this request has been incorporated.

For the time being, it has taken the form of "one or two losses on the offering table." Labor and management must bear an increase in the insurance rate equally. First, it will go to 16.5 percent of monthly income and two years later to 17.35 percent. It is a two-stage increase because of the state of the economy, but after that it will be raised 2.5 percent every five years until it is nearly 30 percent.

The age for full payment will be by one year of age every three years [until is reaches 65], starting with males born since 2 April 1941 (females are behind with five years).

About half of the pension amount will be paid starting at age 60 and the remaining half can be taken with a reduction if desired (the cut continues even after the age of 65).

The increase in pension amount has been a little flat for pension recipients also. Previously, it had been matched to increases in the full-time nominal wage and the amount of the pension had been raised every five years. However, current worker take-home income has decreased as the tax burden and social insurance rates have become more onerous. The disappearance of a difference in the pension generation in any case is intolerable for current workers. Therefore, they will decide the pension amount matched to increases in take-home income.

The Ministry of Health and Welfare, which is in charge of pension system management, and the Ministry of Finance had aimed for custody of the pensions until the age of 65, and they probably feel that reserving payment of half the amount starting at age 60 is a painful concession financially.

However, they are cultivating future protection of the pension system by doing this and it is difficult to call it reform linked to "one or two gains on the offering table."

How will national pensions to which the self-employed and others subscribe be managed healthily? Great homework remains for the government and administration. The lack of concern for a pension system centering on the young generation is conspicuous. The grasp of self-employment income is difficult and the burden will be heavy on low income earners because it is becoming a fixed amount insurance rate (now 11,100 yen a month).

There are about 18 million subscribers, but 2.67 million exemptions. There are an estimated 2.1-2.22 million people who are delinquent, including those who are delinquent for only one payment. There also are over 1.93 million nonsubscribers who do not have even a pension book.

It is not a situation that can be neglected. Currently, one-third of the payment amount is charged to the national treasury, but it is natural that a proposal to raise this charge rate and prevent a national pension crisis will appear. The debate in the Diet surrounding raising the national treasury charge has been shadowed by a move to make it a political issue, but it is a fact that one key to resolving it exists here.

It cannot be denied that the government currently can only make a large-scale increase in the consumption tax to raise the national treasury charge of 3.9 trillion yen, and an increase is impossible without coverage by a financial resource. However, a supplementary resolution was made to "study an increase with the goal of one-half."

They should keep this important public pledge and work continuously toward resolution. At this juncture, just an increase in the consumption tax is not logical.

The amount of payments for pensions (1.5 trillion yen) for former soldiers and survivors is being reduced several billions of yen every year. A considerable amount of the premiums in the era of civil service pensions also is a national treasure charge (2.5 trillion yen), but there will be a charge reduction over the long-term. Won't that savings be transferred to pensions?

If a common numbering system is introduced to the whole pension system, it will be easy to promote subscription. Should there be the current status of equality where there are no penalties for nonsubscribers and those who refuse while having the ability to pay?

Is it all right to have the method of investing reserve funds which exceed 90 trillion yen for welfare pensions alone accomplished by transferring the majority to the capital investment department of the Ministry of Finance? Amidst the sudden changes in the economic situation, is a mechanical increase in insurance rates every five years appropriate as a policy to promote overall economic growth?

It is not a single-track discussion of the consumption tax.

'Notable' Labor, Investment Improvements Needed

OW0811022094 Tokyo KYODO in English 0158 GMT 8 Nov 94

[FBIS Transcribed Text] Tokyo, Nov. 8 KYODO—Notable improvements in labor conditions and corporate capital investment are needed before it can be said that the economy will recover further, Japan's economic planning chief said Tuesday [8 November].

Speaking at a press conference after a morning cabinet meeting, Masahiko Komura, director general of the Economic Planning Agency (EPA), was referring to the EPA's monthly economic report that kept the overall assessment unchanged for the third month in a row.

The economy is headed toward recovery at a gradual pace, the EPA said in its November report presented at a morning meeting of economy-related ministers.

Komura also said he is hopeful because Bank of Japan officials commented recently that corporate capital investment will start picking up in the first half of the next fiscal year, which begins in April.

On the employment situation, the EPA chief said he wants to "watch carefully for a little longer," although the latest statistics show "tiny" improvements.

Against this backdrop, he stressed, "Our overall assessment will change" if labor conditions and capital investment recover.

Komura acknowledged that department store sales and some other indicators are pointing to weak personal consumption, but emphasized that overall consumption is posting further recovery.

He brushed off worries that housing demand and public works spending are poised to take a breather after long underpinning the economy.

"A careful watch is necessary, but there's no need to worry," Komura said.

As for housing spending, the government's loan program "temporarily" failed to meet strong demand, he conceded.

But the Construction Ministry and the Finance Ministry are now arranging to boost the public loan plan, Komura noted.

Komura quoted Bank of Japan Governor Yasushi Mieno as saying at the economy-related ministerial meeting that short-term interest rates are stable at unchanged levels, and long-term market rates are staying around 4.7 percent after rising earlier.

Mieno also told the meeting that lending rates remain low and the expansion of the money supply is steady, Komura said.

Change Seen Necessary in Employment System

952A0019A Tokyo NIHON KEIZAI SHIMBUN in Japanese 26 Sep 94 p 19

[Article by Atsushi Seike, Keio University professor: "Change in Employment System Starting With Preparing Environment; Unavoidable Fluidity; Skills Development To Stress Broad Utility"]

[FBIS Translated Text] *1. With changes in the external environment encompassing business, conditions have come about that make job fluidity unavoidable. That means frameworks must be set up so that the workers will not be in trouble even if they switche companies.*

2. Those frameworks are a wage system making contributions and compensation congruent in the short term and a skills development system stressing professional skills with broad utility. Such a changeover to a wage and skills development system will proceed of itself from the business rationale of seeking to respond to structural changes in the economy.

3. The problem lies in the social system being unprepared to support such change. Without a framework for self-reliant livelihood planning and skills development and without rules for determining separate working conditions, it is risky to proceed with systematic reform. A changeover in the wage and employment system should proceed while preparing the encompassing conditions.

Make Wages and Contributions Congruous in Short Term

There are great merits to the long-term employment system and the seniority wage system premised upon it. For those working, job stability and year-by-yearincome increases bring livelihood security. For the corporation, they above allmake it easy to gain employee loyalty and a high will to work.

In fact, if one looks at questionnaire surveys of business managers and labor unionists, the overwhelming majority are those wanting to firmly support so-called "lifetime employment," meaning long-term employment from school graduation to retirement. I myself also think job fluidity which would break down long-term employment having such merit should be avoided if possible.

The question is whether staving off fluidity indefinitely is possible because although what we say the employment system is a major systemic framework, for the economy as a whole, it is no more than a subsystem. If the external environment for industry makes sustaining long-term employment difficult, it would be hard to say it should not be determined by labor and management alone.

If one looks into Japan's economic structure from this angle, business and industry's vicissitudes will inevitably become sharper with the further development of market opening and the easing of regulations. Along with that, it is thought that instances will increase of manpower shifts from waning businesses and industries to growth businesses and industries becoming inevitable.

Of course, we have had changes in industrial structure in the past. However, those were changes under a high growth rate. With companies also growing, a textile firm, for instance, was able to absorb temporary surplus jobs in growth sectors within the firm, such as by making shifts from its textile sector to its chemical sector. But such conditions are steadily disappearing with the slowdown in the economic growth rate.

From the standpoint of the individual, too, one's working life will be lengthened due to the aging society. If one is to be employed to work into ones'sixties, chances of one's switching jobs during one's lifetime rise to that extent. Industrial change and aging society multiply the possibilities of manpower shifts among firms.

If the trend of job fluidity is thus seen as inevitable, the setup premised on long-term employment will become even more riskier for the individual. An actual example of that is the job insecurity of mid- and upper-level managerial positions.

Middle and upper-level managers in big business have worked under arrangements bringing about a long-term balance between their contributions to the company and their wages premised on long-term employment. As in the thesis of Stanford University professor Roger, it is an arrangement under which in exchange for exerting oneself for the company for wages cheaper than the extent of one's contributions during one's prime working years, one is accorded wages greater than one's contributions in the middle and later years. That is why one cannot recover what has been given to the company if one is discharged in mid-career.

Also, the skills that such people have are the know-how and personal networks for being a manager in the current firm. Once they leave their present company, their useable skills are less.

To avoid such problems a system of wages and skills development is needed that will be all right even with fluidity. The direction for system reform to that end is relatively clear. For wages, it is to have them always paid in line with abilities and contributions at any particular time. For skills, it is to be equipped with skills useable in any company.

The recently much discussed change from a seniority wage system to skill-based wages and from generalist to specialist may be called the first sign of such a conversion to a wage and skills-development system. However, since there are some ambiguities in the terms seniority wages, skills-based, generalist, and specialist, let us bring a bit of order to the discussion.

For Securing Talented People Reform Cannot Be Neglected

First, we speak of the seniority wage system, but viewed over the long period from new hiring to retirement, it is a skills-based wage. Even among those entering the firm at the same time and then working together under seniority wages, by the time they retire, differences have emerged—from officers at the top to the lowest level managers.

The mark of the seniority wage system lies in its bringing out capabilities over the long years from first hiring to retirement. Consequently, the point of reform is not to have wages based on skills but to have skills and wages come into balance in a shorter time.

Speaking of the recent talk about moving from generalist to specialist, usually the former means a manager (and his reserves) while the latter means one in a specialized job. But this does not necessarily indicate differences in skills or broad utility. Even a specialist has special skills unique to his company, and even a manager may be a talented person who could quickly play a role in another firm.

In short, the specialist/manager coordinate is something distinct from the coordinate for having/not having broad utility. As for the coming changes with regard to these two coordinates, it may be that managerial and specialist jobs alike will gain broader utility as the system focused on managerial workers comes to center on specialists.

For companies, too, in an era when jobs are becoming fluid, they will be unable to secure the needed talented people if they do not begin paying wages matching the skills and contributions at the time and if they do not come to have work performed with skills having broad utility.

For the employee, reform toward a wage and skill-development system that does not inconvenience him even if he switches companies should, in the long run, proceed of its own accord from a business rationale. The problem lies in whether it is possible to have such system reform soon.

For instance, if one made the seniority wage system a wage scheme perfectly according with contributions and skills only at times, the aspect that seniority wages have had as a living wage would be lost. In exchange for definitely receiving wages that accord with one's work from one's younger years, everyone would have to prepare for the future by investing the difference between his wages at any one time and his needed income.

However, if one looks at such a situation as the gap between individual and the corporate negotiating power and information on the financial markets where wages are invested, one cannot believe a milieu has been readied within which the individual can invest his surplus funds through his own wits and options.

The same holds true for the way skills development should be. It is hard to motivate companies to bear the training costs for skills with general utility. That is because if they go out of their way to pay the costs of developing employee skills and then have such employees take those broad-utility skills to switch jobs on them, the costs the firm has borne would be a total loss.

As University of Chicago professor Becker's theory says about developing general-use skills, the individual may shoulder the expense according to how broad a utility those skills have. Specifically, in situations where they acquire special skills by attending special schools on the outside or a graduate school on their own funds or through job training within the company, it is a burden in the sense that they defer pay increases for the period they are acquiring such skills.

Whatever the case, since it is developing skills at the individual's option and on his responsibility, the means must be open for the individual to have valid information on what kind of skills he should go on to develop, his monetary compensation for that and so on. Yet, such arrangements are still mostly lacking.

Further, arrangements for receiving wages according to one's skills and contributions at the time and adding special skills of general utility leave the individual at the negotiating table with his regular company. Yet, as the theory of Toyo Eiwa Womens University professor Kotaro Tsujimura says, in labor markets the individual's position is weak in negotiations with a company. The individual also carries an overwhelming handicap with respect to the firm in the amount of information he has.

To overcome such handicapping of the individual with respect to the company, there is a need to create negotiating rules and to assure them systematically. If the individual and the firm confront each other outright on the market without such rules for negotiation between individual and company, it is a lost cause for the individual insofar as one does not possess very special skills.

Backing for Individual and Minimum Wage Amplification

Reform of the wage and skills development system to cope with job fluidity may advance on their own according to market principles. An external environment supporting such a new system must be prepared consciously. It will be a major topic from now on.

First, the government must create an environment enabling the individual to do his livelihood planning without relying on his company. Perhaps indispensable will be financial measures, tax reductions, supplying information on skills development, and a systematic framework for rectifying the individual's weakness in negotiating power and his dearth of information on places where he invests his funds. Also, as a labor market safety net, the role of a minimum-wage system and employment insurance will be ever more important in an era of job fluidity.

The role of labor unions is important, too. Even if working conditions are settled separately, creating rules on how they are decided and systematically guaranteeing them are too much for the individual. If they are to use the present system, their only recourse is to proceed to ready this framework within collective industrial relationships between labor unions and business. In that sense, the labor union role will become ever more important.

The current employment system is one that has existed for a long time. Abruptly fitting middle-aged and older employees who have worked under it into a new wage and employment system could only mean writing off business's past liabilities to its employees. Especially under the soft labor market conditions now prevailing, enforcing that would be cruel.

Since job fluidity cannot be avoided, reforms adapting wage and employment systems to it will, in the long run, be necessary even for the physical security of the worker. However, that should be advanced as deliberately as possible while readying the surrounding environment.

Future Employment Issues on Older Workers Viewed

952A0018A Tokyo EKONOMISUTO in Japanese 20 Sep 94 pp 35-37

[Article by Jiro Nakamura, Tokyo Metropolitan University associate professor: "Contradiction Between Labor Shortage and Older Worker"]

[FBIS Translated Text] *To enjoy life in old age without working would be best. Yet, such a viewpoint is missing from the discussion now rampant because a vision of the future is lacking.*

In Japan the ratio of the elderly (the over-65 population in the total population) is rising more than twice as fast as in Europe and the United States. The advance of a rapidly aging society will raise a variety of issues for the Japanese economy. Nor is the labor market an exception.

As aging moves ahead, the working force population will be all but shifting laterally by the year 2000, and thereafter the labor force population will decrease. On two points in particular the abrupt change will bring great changes in labor markets.

One is the problem of how to deal with the elderly that will increase in the market, and the other is the problem of how to cope with constant labor force decreases after 2000 as aging proceeds.

Optimistic View and Pessimistic View

A variety of arguments have been made about the effects that the advance of the aging society will bring to labor markets. Their substance may be broadly divided into two. One is whether supply restraints in labor markets—that is, labor shortages—will impede growth. The other is whether employment of the elderly can itself be assured. The former is an issue for several years ahead while the latter may be called a problem already being faced. Some years hence, the situation will arise, contradictory at first glance, of debating the assuring of jobs for the elderly even while worrying about supply shortages.

This apparently contradictory situation frequently arouses quite opposite views on employment issues in an aging society. If the elderly who will be increasingly numerous hereafter are to be absorbed as workers in the labor market, the insufficiency of the young in the work force would be made up by the elderly and the problem of supply limitations in labor markets will be somewhat resolved. Contrarily, if the elderly are snubbed as a labor force even though they wish to work, it will mean taking on the two mutually contradictory problems of unemployment increases among the elderly and the generation of supply restrictions. Differences in degree exist, but the former is the optimistic view and the latter the pessimistic view.

Whichever the case, as aging moves ahead, we will experience a diverging situation, around the year 2000 boundary point, of a time when a relatively abundant labor force is sustained and a time when the labor force will be declining rapidly. This raises the chances that contradictions will be created between long-range policy and medium- and short-term policy. For example, if active labor-saving measures are adopted to cope with long-range supply limitations, it is conceivable that if its effects show up before 2000, a condition of severe oversupply would arise due to short-term fluctuations in the business cycle and will cut back any demand for the elderly.

Under conditions where measures resolving these two issues in a coordinated way are difficult to put forth, what sorts of things may need to be considered in the coming aging society? Work force reductions that will come to pass after 2000 will mean a situation the

Japanese economy has not previously experienced and will include many conditions we cannot learn about from past experience.

Future Outlooks Have Inadequate Punch

To cope with the aging society, it is not merely a variety of policies but broad alterations in systems that are needed, to include corporate personnel and management systems. Systemic changes are difficult to effect in a short time and require a long period. Also, many costs are assumed in revising systems once they are established. How changes in the environments encompassing business and labor will turn out over the long term is hard for individual firms and workers to grasp, and many leave that up to such public institutions as government.

A number of forecasts on the labor market have been published by the labor ministry and others. On its relationship to aging, we have "Outlook and Issues for Labor Force Demand" of 1992 and "Visions for Mid-Range Job Policies" published in June 1994, as well as others. The former looked into demand conditions in the labor market for the medium and long term up to 2010, and offers measures to deal with a coming era of manpower shortages. The latter makes a mid-range forecast through the year 2000 and gives most weight to job-creation measures including the elderly. Many points in common may be seen in both on practical measures for the elderly. Yet, whereas the former stresses manpower shortages quite a bit, the latter is a discussion which instead gives consideration to demand inadequacies.

The labor force population is expected to decrease after 2000. In that sense the next several years will be a vital period in which we must create measures dealing with the manpower shortages of the following era of aging. Despite that, the latter report's outlook does not strongly bring out such an understanding. How do such gaps in perception arise?

There are differences in the forecast periods and in economic conditions when the forecasts were made, but one of the main reasons for this difference may that this latest forecast was made without being able to break away from the mission played by past forecasts on the future.

At a time like today when the future environment not only is foreseen as rapidly changing but its directionality is uncertain, the task most demanded of future forecasts differs from those of the past. Rather than what the future will be like, the task may be to emphasize more how the future should be. That is, to clearly indicate guidelines for the future.

Of course, there is no change in the fact that, just as with the forecasts made so far, the job of describing the shape which the future could take is necessary. Yet, that requires paying much more attention not to how the future may emerge under past structures but to array the kind of structural changes that will arise, and the kinds of inexpediencies such changes will create under existing systems and then to offer new systems to cope with them.

The above two future outlooks do give careful consideration to changes in environment that may arise in the future but devote very little discussion to individual measures for dealing with the anticipated changes. This makes unclear how concrete the measures presented may be and blurs the choices we can make on future options.

For instance, it is thought that such things as how direct overseas investment or manufactured imports will change hereafter or how we accept foreign workers will have a great impact on domestic labor demand, but the forecasting operations give no clear directionality to these.

If many unclear reasons exist for future trends even while the possibility exists for their greatly affecting the labor market, one should sort out any problem points that greater uncertainties about the future will cause and should appeal to the need for quickly responsive policies coping with such conditions.

What Is To Be Sacrificed?

Then, what is missing from the above future outlooks? Below, given the limitations of space, I will indicate two points from among those I believe to be important.

First is the necessity for clearly tieing together long-range visions for Japan as a whole and visions on employment. As a matter of course, many proposals have been made previously on the desirable form to be adopted for Japan's future. What I wish to stress here is more clearly indicating the connection between such images of the future and the labor market. For example, will Japan be called upon internationally to grow at a relatively high rate even after 2000, or will its growth be thought of as taking the form of supplementing the high growth expected henceforth in neighboring countries? Depending on what kind of form is presumed, policies in the labor market also will differ. In short, it is necessary to clarify the makeup of the external environment encompassing the labor market.

Number two is what is to be sacrificed. The society we will face hereafter is a world which will be aging and in which fundamental production factors will be in decline. Then, even more than in the past, we may anticipate facing tradeoffs between policy goals. One of the important criteria for decisions then will be not what can be gained, but rather what must be sacrificed.

The above two points suggest that, in considering the labor market henceforth, there is a need to conduct discussions from a broader viewpoint. Let me give an example for the future outlook.

Measures are being touted for actively promoting utilization of the elderly. This would mean sustaining a current work-force ratio for the elderly which is very high, viewed globally. On the other hand, shortening working hours is being touted for the sake of a more comfortable life for workers. This is equivalent to calling for a switchover from a short and stout working life to a long, thin working life. If one is aiming for richness in the worker's life, contradictions will arise unless one also calls for a lifetime curtailment of working hours.

There is no problem with the fact itself of readying an environment in which the elderly who wish to work can work. But do policies such as will lead to sustaining a work-force ratio for the elderly that is high when viewed globally match the long-range goal of securing a richer life?

Instead of mid- and long-range job creation policies for the elderly being themselves a goal, they are a means to the goals of resolving supply shortages in the labor market and sustaining the livelihood of the elderly. If it is possible to sustain their livelihood with pensions and the like, it would not be a bit odd even to adopt supply-reduction policies in the sense of enriching the worker's life if that is considered in conjunction with discussing the shortening of working hours.

If one aims to enrich the worker's life in the long term, one major option will even be to retire as early as possible to enjoy life in one's declining years. Taken from this point of view, measures securing jobs for the elderly would be thought of as a sacrifice to be made so as to manage an aging society. Has there not been very little discussion of whether we should seek greater sacrifices by the elderly themselves so as to overcome the aging society or should hold it to the minimum possible sacrifice? This comes up because we have neglected fundamental consideration of what kind of future image to seek and what to sacrifice to that end.

Securing jobs and so forth for the elderly because of restrictions such as pensions is being loudly called for with the advance in aging. Yet, now that the Japanese economy itself is approaching a major turnabout point, do we not need to try rethinking the desired future image from a broad viewpoint without getting caught up in the above-noted optimistic and pessimistic views?

Toshiba Claims World's Highest Capacity Disk

OW0711122094 Tokyo KYODO in English 1116 GMT 7 Nov 94

[FBIS Transcribed Text] Tokyo, Nov. 7 KYODO—Toshiba Corp. said Monday [7 November] it has developed an optical disk-drive system with a 1.3-gigabyte storage capacity, the world's largest for an optical disk.

The electronics giant said it expects to launch its first product late next year based on the new double-sided 3.5-inch prototype, aimed at future multimedia systems.

The system allows data to be written over existing data and allows data transfer as fast as 16.4 megabits per second while being compact and portable, without magnetic components, the company said.

Because it uses a single optical laser for both writing and reading information on the disk, it is smaller and faster than comparable magneto-optical systems, Toshiba said.

Matsushita Electric Industrial Co. has developed a one-sided 650-megabyte 5-inch optical disk, while Sony Corp., Hitachi Ltd., and Minnesota Mining and Manufacturing Co. of the United States have developed one-sided 650-megabyte 3.5-inch magneto-optical disks.

Toshiba said its new disk doubles those capacities by back-to-back bonding of two 650-megabyte disks and the use of advanced optics and high-density packing of data.

The company said in a statement it is "confident" of increasing storage capacity to 5 gigabytes for the 3.5-inch optical disk and 12 gigabytes in a 5-inch format because of its "phase-change design," in which the laser can change the disk surface from amorphous to crystalline and back.

NEC Investment in LCD Operations Paying Off

952A0046A Tokyo NIKKEI BUSINESS in Japanese 26 Sep 94 pp 47-50

[Article by Shigetaka Mayumi: "NEC Expands Production Capacity"]

[FBIS Translated Text] *Although a latecomer to LCD [liquid crystal display] production, NEC's personal computer-associated demand has boosted it to the number-two position in LCD manufacturing. Strict adherence to the roles defined for the supply division and operating division have led to cost reductions. Continued growth will depend on sales of LCD to outside purchasers.*

Akita, the rice bowl of Japan, is celebrating a bumper crop this year in complete contrast to last year's poor crop resulting from a cool summer. NEC Akita (Akita city), located 15 kilometers north of Akita Airport, will initiate mass production of thin-film transistor (TFT) liquid crystal displays beginning early next year. The new production line will be producing glass substrates which will each yield four LCD panels measuring 10.4 inches. They will rank highest in performance on a global basis under current standards. NEC Akita is a strategic plant that will record many achievements in the future for NEC's LCD operations, much like this year's rice crops.

Concentrated on Color TFT and Won Orders From NEC Personal Computer Division

NEC began mass production of color TFT LCD's in December 1990. Initially, LCD manufacturing was limited to one production line at NEC Kagoshima (Demizu city, Kagoshima Prefecture), but in April of this year NEC Kagoshima was augmented with one new line. Subsequently, the NEC Akita plant will be added before the passage of a full year.

Sales in fiscal year 1993 when only one line was operating were 42 billion yen, and projected sales for this fiscal year with two lines in operation are 100 billion yen. In fiscal year 1995, when three lines are fully operational at NEC Akita, sales are expected to reach 150 billion yen. In terms of production volume, output grew at a quantum pace from 40,000 10-inch panels produced in August 1993, 80,000 in March 1994, 100,000 in September 1994, and 240,000 projected for March 1997.

Among several types of LCD, there are twisted nematic (TN) and super twisted nematic (STN) as well as the TFT, which is said to have the greatest potential for replacing the colored cathode ray tube. In contrast to Sharp, which manufactures TN, STN, and TFT LDC's, NEC has specialized in TFT production. In TFT production, NEC ranks second to Sharp, which is the leading maker of such LCD. It is now in the process of overtaking Display Technology (Himeji city, Hyogo Prefecture), a joint venture of Toshiba and Japan IBM, and once regarded as a potential competitor of NEC.

One reason why the NEC LCD operation has grown is that it supplies LCD's to NEC's personal computer division, which controls 50 percent of the domestic market. The LCD division is able to concentrate on its developmental efforts because it need not be concerned that the LCD's will accumulate in inventory.

This is a situation in which the LCD division can be assured of future consumption of its production as long as it hones its capabilities at creating LCD technology applicable to personal computers. Managing Director Kaoru Kosaka in charge of personal computer development, comments, "Although some monochrome LCD personal computers are made, most personal computer software is designed to operate with color displays. Moreover, the future trend calls for high-resolution displays. User requirements demand the development of TFT LCD's that offer visual displays that are comparable to that of cathode ray tubes."

Managing Director Kosaka mentions that, when LCD's were first developed by the LCD division and delivered to the personal computer division, "We rejected them as being unusable," resulting in a tense exchange of words. And, there were times when only 30 percent of the promised production could be delivered to the personal computer division.

NEC LCD operations were developed and became viable after overcoming such difficulties, but there is no guarantee that it will be able to serve as supplier to the NEC personal computer operations indefinitely. NEC personal computers are exposed to severe cost competition from IBM-compatible DOS/V personal computers. If an LCD panel maker appears which can supply high-quality products at prices that undercut NEC LCD operations, there is the possibility that the latter will be cut off as a supplier even though it is part of NEC.

Advantages of Specialization Established by Setting Up a Low-Cost Production Line in Preparation for Expanded Sales to External Users

In the near future, major electrical equipment makers such as Fujitsu, Hitachi, and Mitsubishi Electric will initiate production of TFT LCD's. Current NEC LCD production is used almost exclusively within NEC. Assuming that it is rejected by intracompany users and no sales are being made to external users, the situation would call for the closing of the LCD operations. The division is faced with the need to protect internal demand and to develop a plan for expanding external sales.

In order to meet those objectives, NEC will pursue the creation of a production system which provides for the lowest possible costs for components to be used in personal computer manufacturing in which NEC exercises technical strengths. At the same time, there will be a need for it to develop components to be used in equipment other than personal computers such as in car navigation and portable television where sales are currently expanding.

NEC will convert its NEC Kagoshima plant to the production of low-cost 10-inch panels for use with personal computers. On the other hand, NEC Akita will be assigned the task of producing a variety of displays such as 3- to 13-inch displays which will be used to expand sales in areas other than personal computers.

The decision not to install a multiple-line LCD production system at NEC Kagoshima, but to do so at NEC Akita reflects the use of certain know-how relative to semiconductor operations. In the case of semiconductors, production lines are separated in such a manner that high volume, low-cost memory production is assigned to NEC Hiroshima, while application-specific integrated circuit (ASIC) production, calling for a large variety in small quantities, is assigned to Yamagata. Such an arrangement is used to enable concentrations of facilities and personnel to provide for specialized production centers.

NEC Akita was a latter-stage processing plant which assembled ASIC produced in the NEC Yamagata plant. The NEC Akita plant was designated as a strategic plant for production of LCD to utilize its experience in handling production involving a wide variety of items in small quantities.

NEC currently ranks second in TFT LCD production, but it was a latecomer to LCD operations. Sharp and Seiko Epson entered the industry in the 1970's, while Matsushita Electric Industrial and Hoshiden joined the industry in the 1980's. NEC converted its research center into an operating division in the first half of the 1980's. You might say that rather than being a latecomer, it was slow in commercializing its LCD operation.

Initially, the semiconductor division was responsible for LCD's, but it was slow in building up enthusiasm for the program. The LCD program was initiated just when the division was beginning to become preoccupied with the production of 256-kilobit DRAM (dynamic random-access memory) devices. According to Tokin President Tomihiro Matsumura who was then in charge of the semiconductor division, "Both human resources and funding were concentrated on the DRAM and LCD's were relegated to a part-time effort."

Resolute Determination of Top Management To Meet "Three-Year Development Goal" at Any Cost Succeeds

Since it was obvious that the semiconductor division could not handle LCD development, the project was transferred in 1987 to the electronic component division which handles fluorescent signs and industrial cathode ray displays. However, that approach also failed. Then President and current Chairman Tadahiro Sekimoto in 1989 directed the establishment of a color LCD development center under the direct control of the president, an assembly of 90 experts from 21 divisions, and a company-wide development effort. At that point, a commercialization target of three years was set.

The electronic component division failed in its effort because it lacked adequate knowledge of semiconductor manufacturing technology. Seventy percent of the manufacturing process applicable to LCD's is the same as that used in the fabrication of semiconductors. Many superior semiconductor technicians were assembled in the color LCD development center. Even then, much difficulty was encountered in making breakthroughs to the point where they could project a target date for mass production.

The cause was dust management. LCD panels of the 10-inch class required dust management equal to that used on 4-megabit DRAM. However, 1989 was the year in which 1-megabit DRAM production had peaked. That meant that there was a need to create dust management of one order higher. The experimental production lines installed at the Tamagawa plant in Kawasaki city, the site of the color LCD development center, were not equipped with air conditioning systems that could meet the requirements for LDP mass production.

The deadline for LCD commercialization was 1992. The most advanced facilities were installed at NEC Kagoshima and test production was initiated in August of that year. Even then, initial efforts produced nothing but defective products. Finally, in December 1990, prospects to produce nondefective products became a reality. It was a few days before then-President Sekimoto was to visit NEC Kagoshima. Current managing director in charge of NEC Kagoshima Hiroshi Shiba recalls, "We were able to reach the point of mass production, because of top management's conviction that we 'will succeed' and the imposition of a deadline."

Parts Procurement Function Transferred Completely to the Supply Division—Results Achieved in Lowering Costs and Improving Quality

Despite all efforts, the probability of yielding defect-free products did not even reach 30 percent. The only way to improve yield is to enhance production technology. NEC assembled production technology experts specializing in semiconductors at the development center. One of those experts was Display Division chief Haruyoshi Horikiri who manages the LCD operations.

One action that division chief Horikiri took to put mass production on track was to completely transfer parts procurement authority to the supply division at company headquarters. Materials procurement involves the expenditure of large sums of money, and lack of circumspection can lead to corruption between buyers and suppliers. Some operating divisions refuse to give up their authority for materials procurement. Division Chief Horikiri says, "From the standpoint of a personal computer, an LCD panel is nothing more than a component. Unless we have transparency in the parts procurement operations, we become careless about cost and quality and lose out to the competition."

In the case of LCD panels, the effects of procurement cost reductions are much higher than they are with semiconductors. The cost of parts and materials as a percentage of the factory cost of a semiconductor is 6 percent, whereas it is 50 percent for LCD's. Assuming that the sale price of a 10-inch-class LCD panel is 100,000, the factory cost would be 70,000 yen and 35,000 yen of that would represent the cost of parts and materials purchased from a parts supplier.

NEC expects to sell 100 billion yen worth of LCD panels this fiscal year. Using the foregoing figures, that would mean that the parts and materials cost will total 35 billion yen. If procurement prices are dropped 1 percent, we can realize a savings of 350 million yen. Mass production of a product means that we need customers to buy the output. Reaching that goal requires the unavoidable goal of lowering sales prices.

But, this is not a case where we can merely dedicate ourselves to cost reductions. The reason for delegating parts procurement to the supply division is to ensure a stable supply of high-quality parts. If we were to dedicate ourselves to the pursuit of low-cost materials, the job could be handled by individuals who are not materials procurement specialists. Some parts vendors offer parts at prices which disregard profitability. However, there are some parts makers who run into financial problems because they sell at unreasonably low prices.

The NEC supply division is staffed with personnel who are qualified small and medium enterprise analysts to ensure that prospective vendors are financially sound and maintain a registry of a number of screened, qualified vendors.

Division chief Horikiri spoke with confidence when he said, "One LCD maker's top management is quoted in the newspapers as saying, 'We're facing a shortage of parts.' However, NEC does not have that problem," because NEC maintains a list of parts vendors who can ensure a stable supply of parts into the future. NEC's screened list of parts vendors have been furnished with a multiyear schedule for parts procurement as well as the target procurement prices.

As a means to provide parts vendors with accurate information, the NEC supply division maintains close contact with the color LCD design, development, and fabrication activities. Meetings between parts procurement officers and representatives of the design and development activities are held at 10-day intervals. Further, such meetings involving representation by NEC Kagoshima are held monthly. NEC Kagoshima is represented at such meetings through television conferencing procedures. NEC Akita will also participate in television conferencing once production is initiated at that plant.

Maintenance of the communication process leads to cost reductions. An example is the LCD backlight installed on personal computers put on the market by NEC this spring. Compared to the light used 10 months ago, NEC has achieved a 10-percent reduction in power consumption, a 20-percent reduction in the thickness of the panel, and a 24-percent reduction in cost.

Supply division chief Shuji Matsumoto insists, "The supply division is doing nothing special for LCD operations. We only adhere faithfully to our basic procedures." However, he adds, we are able to do so, "because there is a strict division of authority between the LCD operating division and the supply division."

It is expected there will be an increase in the number of color TFT LCD makers accompanied by fierce competition. "We demand that you turn over parts that you are delivering to LCD maker A to us." There's also the possibility that the already heated struggle, wherein words of this nature are exchanged for parts, will worsen. If NEC seeks to continue its growth pattern into the future, it has no choice but to abide by the basic rules of parts procurement and implement cost management in a thorough manner, amidst the intensifying competitive situation.

North Korea

Foreign Officials Praise U.S.-North Agreement

Tunisia, Mali, Zambia

SK0911104894 Pyongyang KCNA in English 1022 GMT 9 Nov 94

[FBIS Transcribed Text] Pyongyang, November 9 (KCNA)—The DPRK-USA agreed framework was hailed by foreign party leaders and parliament.

General Secretary of the People's Unity Party of Tunisia Mohamed Bel Hadj Amor, when he met the Korean ambassador on November 1, said that the adoption of the agreed framework between the DPRK and the USA means the realisation of the intention of the great leader Comrade Kim Il-song in his lifetime and the plan of the dear leader Comrade Kim Chong-il to resolve the nuclear issue of the Korean peninsula.

"The agreed framework," he noted, "is a historical document which shows a victory of Korea's independent and principled diplomacy and a weighty document which gives inspiration to the peoples of the third world and the whole world."

Secretary General of the Executive Committee of the African Party for the Solidarity and Justice of Mali Ibrahima Ndiai, when he met the Korean ambassador on November 3, said the adoption of the DPRK-USA agreed framework marked a historical event which set up a milestone in the way of a final solution to the nuclear issue of the Korean peninsula and opened a bright prospect for ensuring peace and security in the Korean peninsula, Asia and the world.

General Secretary of the Supreme Council of the Nationalist Socialist Party of Syria in Lebanon Ali Hassan in a statement on October 27 hailed the adoption of the agreed framework, saying it is a brilliant victory of the friendly Korean people who have fought in defence of the sovereignty of the country and for world peace for a long period under the wise guidance of his excellency the great leader President Kim Il-song and his excellency the dear leader Kim Chong-il.

Former chairman of the party David Baz in a statement on October 27 said that the adoption of the agreed framework is a shining victory which was won as a result of the wise guidance of the Korean people by his excellency dear Kim Chong-il, their supreme leader, and a proud fruition of the heroic struggle of the Korean people united around him in one mind.

He demanded that the United States implement the agreed framework unconditionally and sincerely.

The National Assembly of Zambia in a note of support to the DPRK- USA agreed framework, which it sent to the Korean Embassy in Lusaka on October 27 stressed that it hails the agreed framework according to the policy of the government and will support its successful implementation.

Tanzania, Guyana, Mozambique

SK0811105894 Pyongyang KCNA in English 1042 GMT 8 Nov 94

[FBIS Transcribed Text] Pyongyang, November 8 (KCNA)—Foreign public figures hailed the adoption of the agreed framework between the DPRK and the U.S.

Rupert Roopnarine, co-leader of the Working People's Alliance of Guyana, when he met the Korean ambassador to his country, hailed the adoption of the DPRK-U.S. agreed framework. "This is a shining fruition of the wise leadership of the great leader Comrade Kim Chong-il", he noted.

Kenichi Ogami, secretary general of the International Institute of the Chuche Idea, in a statement said that the adoption of the DPRK-U.S. agreed framework was an event that demonstrated again to the world the wise leadership of the dear leader Comrade Kim Chong- il.

Edward Mwesiumo, vice-minister for Home Affairs of Tanzania, in his statement said that the publication of the DPRK-U.S. agreed framework is not only a great victory of the Korean people but also a signal victory of the peaceloving people of the third world countries including Tanzania.

Anas Gadul Haq, deputy director-general of the Middle East News Agency (MENA) of Egypt, in his statement said that the DPRK-U.S. talks proved to the world that the "nuclear issue" of the DPRK should be solved in a peaceful way, not by strength.

Jose Fanequico Rissane, section chief of the Policy Research Room of the Mozambique Liberation Front Party, in his press statement demanded that the United States play an affirmative role in the peace on the Korean peninsula and a solution to its nuclear issue by honestly implementing the agreed framework.

Chitta Biswas, general-secretary of the All-India Peace and Solidarity Organisation, in his statement said that the South Korean and Japanese authorities who had taken a negative attitude toward the DPRK-U.S. talks should draw a lesson and effect a policy switchover conforming to the demand of the times.

Foreign Papers Hail North-U.S. Agreement

SK0811105294 Pyongyang KCNA in English 1036 GMT 8 Nov 94

[FBIS Transcribed Text] Pyongyang, November 8 (KCNA)—Foreign papers hailed the publication of the DPRK-USA agreed framework.

The Cuban paper TRABAJADORES October 31 said that the DPRK-USA agreed framework reflects the policy of people's Korea demanding a solution of the nuclear dispute according to an equal and fair convention, not depreciating the international rights and national sovereignty of the country.

The prelude to the solution of the Korean question in Geneva will be a model teaching a way of solution to other problems which wait for international settlement, the paper stressed.

The Laotian paper PASASON in a commentary said that if the agreed framework is successfully implemented, it will deepen the trust between the two sides not only at present but also in future and ensure a peaceful solution of the nuclear problem on the Korean peninsula and a durable peace in this region.

The Mexican paper LA AFICION in a commentary stressed that the DPRK brought the talks to a successful conclusion, thus convincing the world of the truth of what President Kim Il-song told Carter that DPRK has neither nuclear weapon nor will and capacity to produce them.

The Nepalese paper THE VOICE in an article said that the "nuclear problem" of Korea invented by the United States and its allies has entered into a course of solution through DPRK-U.S. talks. The credit rests with His Excellency Kim Chong-il, the supreme leader of the Korean people. The Korean people are always making a long drive, guided by the great and outstanding leader, it said.

The Pakistan paper PAKISTAN TIMES stressed the adoption of the agreed framework is the formal recognition of the DPRK by the United States, saying that it is a diplomatic victory of Korea.

The Laotian paper VIENTIANE MAI, the Yemeni paper AL THAORAH, the Vietnamese paper QUAN DOI NHAN DAN and other papers hailed the publication of the agreed framework between the DPRK and the United States.

Son of Prisoner Held by ROK Writes Letters

SK0811055394 Pyongyang KCNA in English 0451 GMT 8 Nov 94

[FBIS Transcribed Text] Pyongyang, November 8 (KCNA)—Kim Yong-che, the son of Kim Yong-tae, an unconverted long-term prisoner, sent a letter to the committee for the promotion of the repatriation of old man Kim Yong-tae, the Human Rights Committee of the Council of Christian Churches, the Bar Association for Democratic Society and the Council of the Family Movement for Realizing Democracy of South Korea, calling for their cooperation in the repatriation of his father.

He in the letter said that since his father was taken prisoner by the enemy in the past Korean war, he should have been repatriated to the northern half of the country right after the ceasefire according to the Korean Armistice Agreement and the international law on the POWs.

"The South Korean authorities, however, kept my father behind bars for 30 odd years under unreasonable pretexts and is keeping him in custody, not sending him back home after his release from prison. This is an inhumane and merciless behavior," he said. Noting that his family, relatives and he are waiting for his father's early repatriation on all accounts, he requested the organisations of South Korea to make efforts to the last so that his father's repatriation may be realized as soon as possible.

Appeals to International Groups

SK0911045194 Pyongyang KCNA in English 0418 GMT 9 Nov 94

[FBIS Transcribed Text] Pyongyang, November 9 (KCNA)—Kim Yong-che, son of unconverted long-term prisoner Kim Yong-tae, sent letters to the UN Sub-Commission on Human Rights, the International Committee of the Red Cross and the Amnesty International, asking for active cooperation in the repatriation of his father in South Korea.

Kim Yong-tae joined the People's Army during the Korean war and was wounded in February 1952 while fighting on the front before being taken prisoner. He should have been sent back to the North when prisoners of war were exchanged in accordance with the Korean Armistice Agreement.

Kim Yong-che in the letters said that the repatriation of his father is an urgent matter which should be resolved at an early date in light of the Geneva Convention and other international laws and articles of the Korean Armistice Agreement or from the humanitarian point of view. He expressed the expectation that the international organisations would cooperate so actively that the repatriation of his father may be realised without delay.

Foreigners Urge Repatriation of ROK Prisoners

SK0811104194 Pyongyang KCNA in English 1017 GMT 8 Nov 94

[FBIS Transcribed Text] Pyongyang, November 8 (KCNA)—Foreign organisations and figures demanded the repatriation of Kim In-so, Ham Se-hwan and Kim Yong-tae, unconverted long-term prisoners in South Korea, to the Northern half of Korea.

The Fourth District Human Right Committee in Brazaville in a letter October 22 to the chairman of the International League for the Rights of Man noted that the human rights of the unconverted long-term prisoners in South Korea are grossly violated.

"Now the world people, considering such an inhumane act of the South Korean side an obstacle to the reunification of Korea, demand that Kim In-so and Ham Se-hwan be immediately sent back to their hometowns," the letter said.

The Mozambican Committee for Friendship with the People of the Democratic People's Republic of Korea in a statement October 24 said that the heinous crimes of the South Korean puppet bandits in detaining guiltless people and putting them to all tortures and atrocities in prison for dozens of years can never be pardoned.

"If the South Korean authorities refuse to repatriate the unconverted long-term prisoners to their hometowns despite the protest and denunciation of the Korean people and the world people, they will face curses and judgement," warned the statement.

J. Macheka, parliamentarian of the Republic of Zimbabwe and secretary general of the Zimbabwe-Korea Solidarity and Friendship Association, at a press statement October 31 said old men Kim In-so, Ham Se-hwan and Kim Yong-tae are demanding their repatriation to the Northern half of the country and they must be sent back to their hometowns in view of the humanitarian principle.

"The South Korean authorities must lend an ear to the voices of the world peaceloving people, scrap the 'National Security Law' at once and send back the unconverted long-term prisoners to the Northern half of Korea at an early date," statement said.

Hanminjon Committee Sends Letter to Kim Chong-il

SK0811110394 Pyongyang KCNA in English 1049 GMT 8 Nov 94

[FBIS Transcribed Text] Pyongyang, November 8 (KCNA)—The dear leader Comrade Kim Chong-il received a letter November 3 from the Central Committee of the South Korean National Democratic Front (Hanminjon) in reply to his message of thanks addressed to the entire people for honouring the memory of the great leader President Kim Il-song.

The letter says the surprising news that the great leader Comrade Kim Chong-il sent a message of thanks rapidly swept all over South Korea in the teeth of the suppressive "new security-oriented rule," exalting the national pride and honour of the people in having another outstanding leader. Respected Comrade Kim Chong-il is the greatest of the great men and the bright sun of the Korean nation who is convincingly leading the struggle for national reunification and the chuche cause along a straight path of victory, having fully inherited the idea, leadership traits and virtues of President Kim Il-song, it notes.

To have Comrade Kim Chong-il as the great leader is the greatest fortune and highest privilege of the Korean nation blessed with a wise leader, the letter says, adding: Comrade Kim Chong-il is the support for the life of the South Korean people, a symbol of struggle and victory and the only savior of the destiny.

The letter says the vanguard fighters of Hanminjon and the patriotic people will uphold the great Comrade Kim Chong-il at the head of the nation, remain invariably loyal to him, regarding him as heaven, without the slightest vacillation in the teeth of the "civilian" fascist dictatorship and the ultra rightist new anti- communism, and endeavour with heart and soul to perform their historic mission and heavy duty for the times and the nation under the banner of the chuche idea so as to accomplish at an early date the great cause of national reunification desired by President Kim Il-song so earnestly.

The letter sincerely wishes Comrade Kim Chong-il a long life in good health.

South's 'Reverence' for Kim Chong-il Reported

SK0811105194 Pyongyang KCNA in English 1030 GMT 8 Nov 94

["General Kim Chong-il is Core of Great National Unity"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, November 8 (KCNA)—Reverence for the dear leader Comrade Kim Chong-il is growing deeper among South Korean people of all walks of life, according to Seoul- based radio Voice of National Salvation.

Old man Kim Yu-song residing in Chonju City, North Cholla Province, told his family that although President Kim Il-song passed away, there is the dear leader Kim Chong-il who is just like him in personality, virtue and wisdom. "So the pride and honor of the Kim family of Chonju origin and national prosperity will never wane," he said, and went on:

"In the South and the North General Kim Chong-il is the only person who will achieve the cause of national reunification, upholding the noble aspiration of President Kim Il-song for reunification. It is because he is the core of great national unity who personifies love for the nation and the spirit of national independence on the highest level. Let us members of the Kim family of Chonju origin stand at the head of the people in making redoubled efforts to achieve the sacred cause of reunification, upholding General Kim Chong-il as the leader of the nation and the lodestar of reunification."

Briefing them on the ceremony for the completion of the reconstruction of the tomb of King Tangun in Pyongyang, a Pak, a believer of Taejonggyo in Seoul, told his fellow believers:

"The long history of the nation can be correctly established only when it is guided by a great leader. The dear leader Kim Chong-il who is adding lustre to the long history of the Tangun nation spanning 5,000 years is the great leader of the Tangun nation whose love for the nation reaches the sky. Let us glorify Tangun nation in the world, upholding the dear leader Kim Chong-il, a rare hero."

A Pak, a professor at Pusan National University, told his students:

"General Kim Chong-il is the only person who will save the South Korean people and take charge of the destiny of the 70 million fellow countrymen of a unified country.

"I hope you will keep your determination to live and fight with fortitude to bring earlier the day of reunification when all the people will enjoy a life worthy of humanity upholding General Kim Chong-il, the core of national unity and lodestar of national reunification, as the sun of the nation."

South Koreans 'Allegiance' to Kim Chong-il Noted

SK0911052294 Pyongyang KCNA in English 0434 GMT 9 Nov 94

[FBIS Transcribed Text] Pyongyang, November 9 (KCNA)—The Central Committee of the South Korean National Democratic Front (Hanminjon) released an information on November 4 regarding the brisk struggle of the vanguard fighters and people of all walks of life in the South to justify with allegiance the message of thanks sent by the dear leader Comrade Kim Chong-il, according to radio Voice of National Salvation from Seoul.

According to it, the Standing Committee of the Hanminjon Central Committee held a meeting in Seoul on October 31, on receiving the message of thanks sent by respected Comrade Kim Chong-il, and discussed action programs and measures of organisations of Hanminjon at all levels.

The meeting said that the organisations of Haminjon at all levels should make a deep study of the message of thanks of respected Comrade Kim Chong-il and cherish as their faith his idea of loyalty and filial piety and affection of people and noble sense of obligation contained in it and conduct brisk activities explaining and propagandizing it to people of all strata and thus imbuing them with the great pride and honor of the nation in being led by such a great man peerless in all ages and great statesman as Comrade Kim Chong-il.

At the meeting the Hanminjon Central Committee decided to send a letter to Comrade Kim Chong-il, the leader of the nation, representing the unanimous will and intense loyalty of vanguard fighters and patriotic people of all walks of life to repay the thanks sent by him.

According to the program indicated at the meeting of the Standing Committee of the Hanminjon Central Committee, the Seoul city committee of Hanminjon and other organisations at all levels record, type and copy his message of thanks which was received through radio Pyongyang to use it as a textbook of ideological arming of the members of the organisations, and at the same time, conduct agile activities to disseminate and propagandize it to the people and paste up and scatter leaflets praising the message in residential quarters.

Meanwhile, "The Committee for the Study of Kim Il-song's Chuche Idea," "The Committee for the Study of Works of Comrade Kim Il- song," "The Society for the Study of the Revolutionary History of Comrade Kim Il-song," "The Society for the Study of Works of Comrade Kim Chong-il," "The Committee for the Study of Chuche Philosophy," "The February 16 Chuche Philosophy Study Society," "The April 15 Fellowship Society," "The Society for the Study of the Idea for Reunification," "The Hyangil Society," "The Sobaeksu Society," "The Saeppyol Society," "The Ilsim Society" and other study and fighting organisations and organisations of patriotic movement of all walks of life received the message of thanks of Comrade Kim Chong-il with deep emotion and cherish deeper reverence for him.

At the meetings held by study and fighting organisations of patriotic fighters, people expressed their conviction that as the sun of the nation is shedding bright rays all over the South, they will certainly win in the cause of independence, democracy and reunification, saying that "we can hardly repress our awkwardness as Comrade

Kim Chong-il highly appreciated the sincerity of the fellow countrymen in spite of his bitter sorrow and pains of loss", and "the October 28 message of thanks is a declaration of the immutable faith and will of Comrade Kim Chong-il to uphold the idea and cause of the leader to the last."

Members of such organisations as "The Patriotic Servicemen's Society," "The Patriotic Youth Society for Reunification," "The February 16 Fellowship Society," "The Death-Defying Society for National Salvation," and "The Labour Fellowship Society" had meetings to take the oath of allegiance to Comrade Kim Chong-il, the leader of the nation, and sent him letters of pledge including an article to repay his kindness even after their death. They wrote with their blood "Death-Defying Allegiance," "Soldier Loyal to General Kim Chong-il," "Long Live the Kim Chong-il Era".

ROK's Ambition for Northward Invasion' Viewed

SK0911071994 Pyongyang Korean Central Broadcasting Network in Korean 1225 GMT 8 Nov 94

[Commentary by Yun Pyong-son: "The Unchanged Ambition for a Northward Invasion]

[FBIS Translated Text] According to reports, the man titled chairman of the Joint Chiefs of Staff of South Korea blared, in a so-called graduation ceremony of the National Defense Staff Academy held on 5 November, that the North's attitude should be carefully watched, that a complete military preparation posture should be assumed, and the like. These are unacceptable absurd remarks that are running counter to the trends of the time.

As everyone knows, the DPRK and the Untied States adopted in October the agreed framework, a landmark in fundamentally resolving the nuclear issue of the Korean peninsula and resolving [haegyol] abnormal relations [pijongsangjogin kwangye] between the two countries, and since then, the situation on the Korean peninsula has headed towards detente and peace. This positive [kungjongjogin] situational development is offering new hope, optimism, and faith to all fellow countrymen who desire peace and peaceful reunification.

It is our invariable position to resolve North-South issues in a peaceful way. It is clear to everyone that proceeding from this, we can not pose any threat to South Korea. The puppets' talk of establishing a posture of military preparation emerges not because of someone's threat, but because they intend to accelerate preparations for a war of northward invasion.

In the past, too, the puppets used to reserve strategic goods in large quantities, bring in war equipment from foreign countries, and let the puppet armed forces assume a combat posture in preparing for someone's provocation. The puppets' utterance on the need to carefully watch the North's attitude and to establish a complete military preparation posture, as if an incident would abruptly happen, is nothing but a repeated expression of their hidden purpose to accelerate the preparation for a war of northward invasion by raising an outcry over us.

Moreover, what cannot be overlooked is that the rascal's belligerent remarks were made when the large scale Eagle-94 joint military exercise reached a climax in South Korea. The South Korean puppets are talking about the need to establish a military preparation posture, while mobilizing enormous troops and equipment to stage the simulated, provocative war exercise for northward invasion in the sky, land, and sea with outside forces. How dangerous an act [sujak] this is!

Traitor Kim Yong-sam recently told the puppet army that it is his unchanged aim and dream to achieve reunification under a liberal democratic system.

In light of these facts, the puppets are obviously obsessed by the ambition of reunification by defeating communism and are trying to provoke a war of northward invasion by driving the situation to confrontation and the brink of war.

A brigand draws a sword to harm others, not to use it as a self- defensive measure. The puppets' utterance about a military preparation posture or something while accelerating preparations for a war of northward invasion is like an act of a brigand drawing a sword, saying he is going to protect himself.

The Kim Yong-sam puppet clique is outwardly talking about dialogue and reunification, but there has been no change in its ambition for a war of northward invasion.

The puppets' criminal maneuver of pursuing confrontation with fellow countrymen when the all the people desire peace and peaceful reunification cannot be overlooked [mukkwa].

The South Korean people are now vigorously waging an antigovernment, anti-Kim Yong-sam struggle, saying a war would take place if they leave warmonger Kim Yong-sam as he is.

The people will never forgive the Kim Yong-sam group that is madly running toward war, finding a way to survive from the North- South confrontation, and will give a stern trial to the rascals.

The puppets should abandon the anachronistic confrontation concept, should look straight at the trend of the time, and should not recklessly run wild.

CPRF Denounces ROK's 'Military Provocations'

SK0911111894 Pyongyang KCNA in English 0452 GMT 9 Nov 94

["Kim Yong-sam Group Must Not Run Amuck"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, November 9 (KCNA)—The Secretariat of the Committee for the

Peaceful Reunification of the Fatherland [CPRF] on November 8 published information No. 660 denouncing the Kim Yong-sam group for committing continued military provocations by driving puppet army troops into the area along the Military Demarcation Line even after the adoption of the DPRK-U.S. agreed framework.

The information says:

The military provocations of the South Korean puppets which have got more undisguised after the adoption of the DPRK-U.S. agreed framework vividly prove that they are displeased with the agreed framework and do not want a detente and peace in Korea.

Rejected and isolated within and without, the Kim Yong-sam group is trying to tide over the "government" crisis by putting a brake on the implementation of the agreed framework and increasing tensions by reckless military provocations. But this is no more than the last-ditch wriggle of the traitorous group on the doorstep of death, the information notes, and goes on:

The Kim Yong-sam group must squarely see the reality and not run amuck.

If it continues to resort to the row of confrontation against the North and military provocations going against the trend of times, it will have to pay a dear price and only precipitate its own destruction.

South's Deployment of Weapons in DMZ Denounced

SK0911103894 Pyongyang KCNA in English 1030 GMT 9 Nov 94

[FBIS Transcribed Text] Pyongyang, November 9 (KCNA)—The South Korean puppets on November 7 and 8 brought and installed 90 mm recoilless guns in the Demilitarized Zone (DMZ) South of Komsa-ri, Cholwon County, Kangwon Province, and took a firing posture for long hours toward North side's civil policemen, seriously threatening their safety, according to military sources.

On November 8, several dozen puppet army bandits armed with machine guns and automatic rifles kicked about in war hysterics in the DMZ south of Chawon-ri, Pyonggang County, Kangwon Province.

In another development, on November 7 and 8, armed bandits of the puppet army deployed in the DMZ south of Wonnam-ri, Kimhwa County, Kangwon Province, and south of Sasi-ri, Changpung County, Kaesong municipality, made a row, brandishing automatic weapons at our side.

This is part of the intentional and premeditated provocative moves of the Kim Yong-sam fascist clique to continue to increase tensions on the Korean peninsula.

Kim Yong-sam's Unification Plan Denounced

SK0911102694 Pyongyang KCNA in English 1004 GMT 9 Nov 94

[FBIS Transcribed Text] Pyongyang, November 9 (KCNA)—Although the traitor Kim Yong-sam is making quite a noise as if he were interested in reunification, he is in actuality more viciously resorting to anti-reunification and splittist moves than any of the preceding dictators of South Korea, declares NODONG SINMUN in a signed article today.

Branding "unification" advertized by him as a fake, the paper says: The true color of the Kim Yong-sam group as the enemy of national reunification finds its concentric expression in that it categorically opposes the North's proposal for founding the Democratic Confederal Republic of Koryo, 10-point programme of the great unity of the whole nation and other most fair and reasonable proposals for national reunification which are welcomed and supported by entire fellow countrymen.

Only the Kim Yong-sam group doggedly refuses the North's realistic proposals for national reunification, crying that they are "strategy for reunification through communisation". This is clear evidence that "unification" advertised by it is sham.

And the Kim Yong-sam group is brutally cracking down on the South Korean people who desire national reconciliation, unity and reunification. This can be done only by the enemy of reunification.

The Kim Yong-sam group is driving the situation to the brink of war after checking and freezing the dialogues between the North and the South. This is also a premeditated act to obstruct the peace of the country an its reunification.

By "unification under the liberal democratic system" the traitor Kim Yong-sam means the extension of the colonial fascist system to the Northern half of Korea. This is nothing but a declaration of a total confrontation and a war against the North.

The traitor Kim Yong-sam is advertising "unification" which he never wants, motivated by the intention to [word indistinct] over the crisis of his rule which is tottering with the debacle of his "domestic, northern and foreign policies". But everyone knows that it is sham.

Minister Meets ROK Student Council Delegate

SK0811110094 Pyongyang KCNA in English 1043 GMT 8 Nov 94

[FBIS Transcribed Text] Pyongyang, November 8 (KCNA)—Vice Premier and Foreign Minister Kim Yong-nam met and had a talk with Choe Chong-nam, delegate of the South Korean Federation of General Student Councils, in an atmosphere overflowing with compatriotic feelings at the Mansudae Assembly Hall on Monday.

On hand was Ho Chang-cho, chairman of the North side headquarters of the National Alliance of Youth and Students for the Country's Reunification.

Arrest of South Korean Student Leader Reported

SK0811053694 Pyongyang KCNA in English 0444 GMT 8 Nov 94

[FBIS Transcribed Text] Pyongyang, November 8 (KCNA)—Student Yang Tong-hun, chairman of the Kwangju and South Cholla Provincial Federation of General Student Councils (Namchongnyon), was arrested by the South Korean fascist police on Saturday on charge of violating "the National Security Law", according to a radio report from Seoul.

The police authorities had already issued a warrant of arrest and put him on the "want" list for leading the struggle of students for anti-fascist democracy and national reunification before arresting him at Choson University.

KCNA Delegation Meets CPC Politburo Member

SK0911134094 Pyongyang Korean Central Broadcasting Network in Korean 1300 GMT 7 Nov 94

[FBIS Translated Text] On 5 November, Comrade Li Tieying, member of the Political Bureau of the CPC Central Committee and state councillor, met a delegation of the Korean Central News Agency [KCNA] led by Vice General Director Pak Hyon-kyu at the People's Great Hall in Beijing.

At the meeting, Comrade Li Tieying said that the Chinese people were in great sorrow when comrade leader, the great leader of the Korean people, passed away. He stressed that Comrade Kim Il-song was an old proletariat revolutionary and a close friend of the Chinese people.

He said he hopes the Korean people will further develop socialism in their country and realize national reunification at an early date by upholding the leadership of the Workers' Party of Korea headed by Comrade Kim Chong-il. He pointed out that the Chinese people support the national reunification formula set forth by Comrade Kim Il-song.

Comrade Li Tieying said that China and Korea are friendly nations that share mountains and rivers and that the friendship between the two countries is the one prepared by the leaders of the two countries and forged with blood. He said China values this friendship and will consistently adhere to the principle of developing China-DPRK friendship.

Present at the meeting were Guo Chaoren, president of the XINHUA News Agency, and Chu Chang-chu, our country's ambassador to China.

WPK Friendship Delegation Departs for China

SK0911133894 Pyongyang Korean Central Broadcasting Network in Korean 1300 GMT 7 Nov 94

[FBIS Translated Text] A goodwill delegation of the Workers' Party of Korea [WPK] led by Yi Yong-su, director of a department of the WPK Central Committee, left Pyongyang for China by train on 7 November.

Pak Kyong-sun, director of a department of the WPK Central Committee, and a counselor of the Chinese Embassy saw the delegation off at Pyongyang Railway Station.

PRC Forestry Delegation Visits Mangyongdae

SK0811140594 Pyongyang Korean Central Broadcasting Network in Korean 0100 GMT 6 Nov 94

[FBIS Translated Text] A delegation of the Chinese Society of Agronomy and Forestry led by its vice-president Han Yimin has visited Mangyongdae, the birthplace of revolution.

The guests, who visited the old Mangyongdae home, looked around the relics and listened to the immortal revolutionary history of the respected and beloved leader, who devoted his all for the fatherland and the people during his lifetime.

The delegation posed for photographs commemorating their visit to the old Mangyongdae home and then inspected the historic sites in Mangyongpong.

After that, the delegation visited various places in Pyongyang, including the Taesongsan Revolutionary Martyrs' Cemetery, the International Friendship Exhibition Hall, the Sohae Lock Gate, the Pyongyang subway system, and the Friendship Tower.

Leaves Pyongyang 7 Nov

SK0911135394 Pyongyang Korean Central Broadcasting Network in Korean 1300 GMT 7 Nov 94

[FBIS Translated Text] A delegation of the Chinese Society of Agronomy and Forestry led by its vice-president Han Yimin left Pyongyang by plane on 7 November.

Yi So-yong, vice chairman of the Central Committee of the Union of Agricultural Working People of Korea, and a counselor of the Chinese Embassy in our country saw the delegation off at the airport.

Kim Yong-sun Meets With Radio Tokyo Official

SK0811053994 Pyongyang KCNA in English 0448 GMT 8 Nov 94

[FBIS Transcribed Text] Pyongyang, November 8 (KCNA)—Kim Yong-sun, secretary of the Central Committee of the Workers' Party of Korea and chairman of the Korean Asia-Pacific Peace Committee, and had a talk with Hiroyuki Iwaki, director of Beijing branch of Radio Tokyo, Japan, and his party on Monday.

Yi Chong-kyok, vice-chairman of the Korean Asia-Pacific Peace Committee, was present.

Film Showing Commemorates Cambodian National Day

SK0811062494 Pyongyang KCNA in English 0456 GMT 8 Nov 94

[FBIS Transcribed Text] Pyongyang, November 8 (KCNA)—A film show and a friendship gathering took place here Monday on the occasion of the 41st anniversary of the national day of the Kingdom of Cambodia.

Invited there were Cambodian Ambassador to Korea Oum Mannorine and his embassy officials and Cambodian guests.

Present there with working people in the city was Chon Yon-ok, vice-chairwoman of the Committee for Cultural Relations With Foreign Countries and chairwoman of the Korea-Cambodia Friendship Association.

The participants saw a small art performance given by students of Pyongyang University of Music and Dance and then a Cambodian feature film.

World Peace Through Global Independence Urged

SK0911105094 Pyongyang KCNA in English 1027 GMT 9 Nov 94

[FBIS Transcribed Text] Pyongyang, November 9 (KCNA)—To make the whole world independent is a sure guarantee for preventing a new world war and maintaining and consolidating world peace, stresses NODONG SINMUN in an article today.

Appealing to the world people to turn out in the struggle to make the whole world independent, the author of the article says:

The great leader Comrade Kim Il-song defined global independence as one of the basic ways of preventing a war and maintaining a durable peace of the world and comprehensively expounded the tasks and ways to that end.

He said:

"When the whole world wins independence, a new world war can be prevented and a lasting world peace will be maintained, while all nations will have great possibilities to build an independent and prosperous new society and give full independence to the masses."

World peace and security can be maintained and consolidated only when the peace forces decisively overwhelm the war forces.

Global independence is a common task facing mankind.

Global independence helps realize the unity of the revolutionary forces and anti-imperialist independent forces of we world, rendering it invincible. Victory in confrontation with imperialism can be won when all countries and all nations desirous of independence get closely united politically and closely cooperate with each other economically.

Our party and government will energetically strive to build an independent new world and ensure peace and security of the world, firmly united with the world people advocating independence, upholding the policy of global independence put forward by the great leader Comrade Kim Il-song.

International Red Cross Delegate Departs 5 Nov

SK0811140794 Pyongyang Korean Central Broadcasting Network in Korean 0100 GMT 6 Nov 94

[FBIS Translated Text] Christophe Swinarski, delegate for the East Asian section of the International Committee of the Red Cross, left Pyongyang by plane on 5 November.

Memorial Letters Adopted Abroad for Kim Il-song

SK0911045794 Pyongyang KCNA in English 0414 GMT 9 Nov 94

[FBIS Transcribed Text] Pyongyang, November 9 (KCNA)—Letters to the dear leader Comrade Kim Chong-il were adopted at memorial services held on the hundredth day after the death of the great leader President Kim Il-song in London, Brazzaville, Maputo, Copenhagen and Paris.

The letters say the life of President Kim Il-song was the life of the greatest man and the most outstanding statesman which adorned the most brilliant chapter of the world history of politics. They say he was a revolutionary and an anti-imperialist fighter who made immortal contributions to the liberation of Korea and to the struggle for the revolution and construction in Korea and an outstanding leader of the international communist movement.

The letters say although President Kim Il-song passed away, the chuche idea founded by him and his great exploits in the revolution and construction will be everlasting.

The letters express the belief that the Korean people will surely accomplish the cause of socialism and the cause of national reunification under the leadership of Comrade Kim Chong-il.

Syrians, Palestinians Visit Kim Il-song Statue

SK0911052994 Pyongyang KCNA in English 0423 GMT 9 Nov 94

[FBIS Transcribed Text] Pyongyang, November 9 (KCNA)—The Syrian and Palestinian students studying in Korea on November 8 visited the statue of the great leader President Kim Il-song on Mansu Hill and laid bouquets of flowers before the statue, expressing deep condolences on the lapse of four months after his death.

Syrian Ambassador to Korea Yasir Farrah was also present.

The ambassador said that the death of the great leader was a tragedy to all of them. He went on:

"The dear leader Comrade Kim Chong-il is just like the great leader. The Korean people will surely achieve victory as they are united around him.

"We will call at the statue not only today but on the 8th day of every month together with the Korean people in token of solidarity.

"The great leader Comrade Kim Il-song is immortal and he will always be with us."

Foreign Media Report on Kim Chong-il's Treatise

SK0811052994 Pyongyang KCNA in English 0439 GMT 8 Nov 94

[FBIS Transcribed Text] Pyongyang, November 8 (KCNA)—The dear leader Comrade Kim Chong-il's famous work "Socialism Is a Science" was reported by the Central People's Radio, XINHUA and PEOPLE's DAILY of CHINA, ITAR-TASS and PRAVDA of RUSSIA, KYODO and JIJI News Agencies, YOMIURI SHIMBUN, MAINICHI SHIMBUN and SANKEI SHIMBUN of Japan, DPA of Germany and BBC of Britain.

KYODO News Service reported His Excellency Kim Chong-il in his treatise "Socialism Is a Science" contributed to NODONG SINMUN, the organ of the Central Committee of the Workers' Party of Korea, on November 1, 1994, says socialism has been frustrated in a number of countries, but scientific socialism is as alive as ever in the minds of the people.

The news service quoted him as saying: Although socialism is temporarily experiencing a heart-rending setback because of opportunism, it will without fail be revived and win ultimate victory for its scientific accuracy and truth.

Under the titles "There Is Future in Socialism" and "Treatise of Comrade Kim Chong-il" PRAVDA Saturday reported that Comrade Kim Chong-il, the leader of the Democratic People's Republic of Korea, expressed the conviction that socialism is sure to win and characterized communist society as the most advanced society.

Beninese Party Elects Kim Honorary Chairman

SK0911052194 Pyongyang KCNA in English 0419 GMT 9 Nov 94

[FBIS Transcribed Text] Pyongyang, November 9 (KCNA)—Dear Comrade Kim Chong-il, the great leader of our party and people, was elected honorary chairman of the Party of Revolution of Benin.

The Party of Revolution of Benin convened a meeting on September 10 and decided to elect Comrade Kim Chong-il its honorary chairman.

The certificate of the honorary chairmanship and a letter on the party's decision addressed to Comrade Kim Chong-il were handed to a Korean official concerned.

Kim Chong-il Orders Bridge, Tunnel Built

SK0911040594 Pyongyang Korean Central Broadcasting Network in Korean 0300 GMT 9 Nov 94

['Full text' of Order No. 0051 issued by KPA Supreme Commander Kim Chong-il in Pyongyang on 9 November—read by announcer]

[FBIS Translated Text] Comrade Kim Chong-il, the supreme commander of the Korean People's Army [KPA], issued an order [myongnyong] on 9 November 1994. The full text of the order reads:

Order No. 0051 of the KPA supreme commander, 9 November 1994, Pyongyang, on the second stage of construction on the Chongnyu Bridge and the construction of the No. 2 Kumnung tunnel in Pyongyang city.

Providing the people with circumstances for happier and more cultural living and guaranteeing the improvement of their welfare is precisely the consistent people-oriented policy of our party and the government of the Republic.

Already in the period of the arduous anti-Japanese armed struggle, the great leader Comrade Kim Il-song mapped out a far-sighted new national construction plan for a liberated fatherland and personally dug the first shovel at the site of the Potong River improvement work. Since then, he traversed a long perilous swampy road at the forefront, for the construction of the capital.

Our party, which is endlessly loyal to the great leader Comrade Kim Il-song's revolutionary cause, spared no investments in the promotion of the people's welfare, while paying primary attention to it even under the circumstances in which the situation in the country was so tense in the whole process of leading the revolution and construction; and it wonderfully built great monumental creations, including the world-class Sohae Lockgate and expressways, by mobilizing innumerable People's Army soldiers in the socialist construction.

Following the construction of the monumental creations, including the 1 May Stadium, Kumnung Tunnel, and Chongnyu Bridge along the banks of the picturesque Taedong River, the great leader Comrade Kim Il-song, who had waged the energetic struggle without sleep or rest with the spirit of serving the people in a self-sacrificing way until the last moment of his life while putting forth the great idea of serving the people like heaven, had a far-sighted plan to construct a new bridge and the tunnel road linking Chongnyu Bridge.

As for our party, the question of realizing the great leader's far-sighted plan for the construction of the capital city at an early date serves as an important and responsible work to truly bring into bloom the fatherly leader's intention to provide our people with a more affluent and civilized life.

In order to achieve the great leader [widaehan suryong] Comrade Kim Il-song's capital construction plan, make Pyongyang more satisfactorily have the shape as the capital of the revolution, and to have the citizens in the capital enjoy happiness in better living circumstances, I order, the following: The second-phase construction of Chongnyu Bridge over the Taedong River in the center of Pyongyang, and construction of Kumnung No. 2 Tunnel so as to attain modern beauty.

1. The Ministry of People's Armed Forces shall complete the second-phase construction of the new Chongnyu Bridge by connecting the Chongnyu Bridge and construction of Kumnung No. 2 Tunnel by 10 October 1995, the year marking the 50th anniversary of the founding of the Workers Party of Korea.

2. The Administration Council shall establish measures to ensure with top priority and timeliness, facilities and materials required for the second-phase construction of Chongnyu Bridge and Kumnung No. 2 Tunnel.

I firmly believe that officers and men of the KPA and Korean People's Security Forces who are assigned to the second-phase construction of Chongnyu Bridge and construction of Kumnung No.2 Tunnel, will achieve without fail the lofty lifetime intention of the great leader [suryong] and our party's intent to more splendidly turn Pyongyang, the capital of revolution, to the people's paradise on earth, by cherishing the iron-clad faith that we will do what the party decides.

[Signed] Kim Chong-il, supreme commander of the KPA.

KCNA Reports Construction Order

SK0911043194 Pyongyang KCNA in English 0411 GMT 9 Nov 94

["Order of KPA Supreme Commander Issued"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, November 9 (KCNA)—Comrade Kim Chong-il, supreme commander of the Korean People's Army [KPA], today issued an order on building the Chongnyu Bridge (the second-stage) and Kumnung Tunnel No. 2 in Pyongyang.

Order No. 0051 says:

To provide the people with the environment for a happier and more cultured life and constantly promote their welfare is the consistent popular policy of our party and the DPRK Government.

The great leader Comrade Kim Il-song matured his far-reaching plan for the construction of the capital city in a liberated country already during the arduous anti-Japanese armed struggle. He personally took the shovel in breaking the ground of the Potong River improvement project and then cut the way through thousands of miles of marshland in the van for the construction of the capital city.

Our party, unswervingly faithful to his revolutionary cause, has paid primary attention to the promotion of the welfare of the people and spared no investment in it in the whole course of leading the revolution and construction despite the strained situation of the country and mobilized a large number of People's Army soldiers in socialist construction, thus building grand monumental edifices including the West Sea barrage, one of the biggest in the world, and express highways.

The great leader comrade Kim Il-song propounded the great idea of "believing in the people as in heaven" and made energetic efforts in the spirit of devoted service for the people without a zest till his last moments. He unfolded a far-reaching plan of building a new bridge and a new tunnel linked to the Chongnyu Bridge following the construction of such monumental edifices as the May Day Stadium, the Kumnung Tunnel and the Chongnyu Bridge on the scenic Taedong River.

For our party to realise the great leader's grand plan of capital city construction at an early date is an important and responsible work to carry into practice his intention to provide our people with a more affluent and cultured life.

In order to build the Chongnyu bridge (the second-stage) on the Taedong River in the central part of Pyongyang and Kumnung Tunnel No. 2 on its bank in modern fashion so that the great leader's plan for the construction of the capital city be realised, the appearance of Pyongyang as the capital of revolution may be rounded off and the citizens of the capital may enjoy happiness in a better environment, in order:

1. That the Ministry of the People's Armed Forces should build a new Chongnyu Bridge (the second-stage) and Kumnung Tunnel No. 2 linked to the Chongnyu Bridge by October 10, 1995, the 50th anniversary of the foundation of the Workers' Party of Korea.

2. That the Administration Council should take measures to give top priority to the timely supply of facilities and materials needed for the construction of the Chongnyu Bridge (the second-stage) and Kumnung Tunnel No. 2.

I firmly believe that the officers and men of the Korean People's Army and the Korean People's Security Forces in charge of the construction of the Chongnyu Bridge (the second-stage) and Kumnung Tunnel No. 2 will carry into effect without fail the noble intention of the great leader and the intention of our party to turn Pyongyang, the capital of revolution, into a more magnificent and graceful earthly paradise of the people, with the unshakable faith "when the party is determined, we can do anything!"

People, Soldiers Visit Kim Il-song Statue 8 Nov

SK0911052394 Pyongyang KCNA in English 0448 GMT 9 Nov 94

[FBIS Transcribed Text] Pyongyang, November 9 (KCNA)—Working people, soldiers of the People's Army, students and school children in all parts of the country on November 8 called at the statues of the respected leader President Kim Il-song and honoured his memory on the lapse of four months after his death.

Central organs, units of the People's Army, organs at all levels, organisations, factories and enterprises, cooperative farms, neighbourhood units and families in Pyongyang laid wreaths, bouquets and flowers before the statue of President Kim Il-song on Mansu Hill.

Written in the ribbons hanging from the wreaths were the words "The Great Leader Comrade Kim Il-song Is Immortal", "The Great Leader Comrade Kim Il-song Will Always Be With Us" and "The Revolutionary Achievements of the Respected Leader Generalissimo Kim Il-song will be everlasting."

Working people of all walks of life, before the statue of the respected leader, renewed their determinations to hold the great leader of our party and people Comrade Kim Chong-il in high esteem and carry to accomplishment the socialist cause of chuche pioneered by Comrade Kim Il-song, in perfect harmony with the dear leader.

End-of-Year Account Settlement Begins

SK0811053094 Pyongyang KCNA in English 0442 GMT 8 Nov 94

["Year-End Account Settlement and Income Distribution"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, November 8 (KCNA)—Year-end account settlement and income distribution has started in rural villages of Korea.

The agricultural working people across the country shared satisfied fruition by manuring and cultivating crops in a proper way from the beginning of this year to make this year, the 30th anniversary of the publication of the great theses on the socialist rural question, a bumper year.

A signal success in agricultural production was reported from different parts of the country including the Mangyongdae Cooperative Farm in Mangyongdae district, Pyongyang, which overfulfilled the plan for grain by 0.6 percent and meat by 2 percent.

The Kumdang Cooperative Farm, Onchon County, South Pyongan Province, fulfilled its plan on all indices of agricultural production including grain.

The agricultural working people hardened their determination to add lustre to our-style socialism centred on the popular masses by carrying through the party's agriculture-first policy true to the behests of the great leader President Kim Il-song.

Enhancing of Economic Officials' Roles Stressed

SK0911063194 Pyongyang MINJU CHOSON in Korean 23 Sep 94 p 1

[Editorial: "Let Us Further Enhance Economic Functionaries' Roles in Implementing the Great Leader Comrade Kim Il-song's Will"]

[FBIS Translated Text] All the people across the country have stood up to wage the struggle to implement the great leader Comrade Kim Il-song's will and are vigorously accelerating the general onward march of the socialism of our own style. An important task of ours in victoriously accelerating today's onward march and scoring endless upsurges in socialist economic construction is to further enhance the roles of the economic functionaries.

The dear leader Comrade Kim Chong-il has pointed out:

"...Administrative and economic functionaries, before anyone else, must positively participate in socialist economic construction with the attitude of masters and devote themselves to implementing the party's policies, which embody the leader's [suryongnim] far- reaching plans."

Enhancing economic functionaries' roles is an important guarantee for bringing about brilliant achievements in implementing the great leader's will.

The teaching which the great leader Comrade Kim Il-song gave at the 6 July consultative conference of chief economic functionaries is a will for the prosperity and development of the fatherland and the people's happiness and a programmatic guideline that must be strongly adhered to in implementing the party's grand plan on socialist economic construction and revolutionary economic strategy. The economic functionaries' roles will greatly determine how well we can implement the great leader's will, which is of historical significance in strengthening the might of our country's self- reliant socialist national economy and highly displaying the superiority of the socialism of our own style.

The economic functionaries are the organizers and executors of the struggle to implement the party's economic policies. Whether or not economic guidance functionaries play their roles determines whether or not the economic work can be carried out successfully as the party intends. Because the party's policies are carried out by the economic functionaries' activities, only when their roles are enhanced, can the creativity of the masses be mobilized correctly and economic work be carried out positively. Moreover, because we must carry out the tasks, presented in the great leader's will, with our own equipment, materials, and technology, strengthen ties among different fields, and mobilize all of production potential and efficiently utilize it, we cannot smoothly carry out the task without fail enhancing economic functionaries' roles. The economic functionaries in electric power, coal, railway transportation, and all other fields of socialist economic construction must have the high awareness that they are leading functionaries who are behind the wheels in economic construction, carry out economic organizational work and command work in compliance with practical conditions with the attitude of taking responsibility for economic work in each unit, and smoothly play their roles. Then, they will be able to score new upsurges in socialist economic construction and brilliantly implement the leader's [suryongnim] will.

All economic guidance functionaries must keep in mind how important their position and role are in implementing the great leader Comrade Kim Il-song's will and use all of their wisdom and energy in waging the struggle to implement the will.

What is more important than anything else in implementing the great leader Comrade Kim Il-song's will is for all economic guidance functionaries to work with confidence and optimism.

New turns in socialist economic construction will be ensured when functionaries wage struggles in a revolutionary manner with firm confidence. Only when functionaries work with confidence and optimism, will all their ranks move with high spirits, and all fronts of socialist construction will be filled with high revolutionary enthusiasm.

At the moment, under the wise leadership of the dear leader Comrade Kim Chong-il, our people are determinedly defending and safeguarding our-style socialism and displaying to the whole world the dignity and honor of chuche Korea by marching vigorously, while turning their heart-rending pain of loss and matchless sorrow hundreds and thousands of times as much strength and courage and resolutely smashing the imperialists and reactionaries. All people throughout the country are accelerating our-style socialist general onward march and adding more luster to the history of chuche Korea in the singlehearted unity around the dear comrade leader. This serves as a clear-cut proof of the greatness of our party and the invincibility of our country's socialism. Economic functionaries should more strenuously carry on struggle, looking squarely, with a correct point of view, at such great strength and great struggle of ours, and our majestic reality. Economic functionaries should consistently and persistently carry on the struggle to accomplish the tasks assigned to their sectors and their units, while devoting all of their wisdom and energy to carrying through the last wishes of the great leader with the rock- firm conviction and indomitable fighting spirit of "What the party decides, we will do!"

Unfavorable conditions, which have not been anticipated, may arise in the process of the struggle to carry through the great leader Comrade Kim Il-song's last wishes, and sometimes a lot of complicated tasks may arise altogether. But, revolutionaries have no right to sit idle in the face of difficulties, and are not allowed to slacken or mark time at all. No matter how unfavorable the conditions and how difficult and complicated the tasks assigned to them may be, economic functionaries should carry out the work in a revolutionary way and push for it in a positive manner. They should work intensively and militantly without slackening even for a moment, and should solve the questions arising from the economic work by mobilizing and utilizing the production potential to the full extent with the revolutionary spirit of self-reliance and fortitude. Economic functionaries should set examples before the masses in realizing self-reliance; sow the seeds of self-reliance among the masses; and actively arouse and vigorously lead a broad group of workers to working and struggling with the spirit and vigor of the era of the great upsurge of Chollima. In this way, they can see the whole ranks move with vigor, the whole country seethe vigorously with the revolutionary spirit of self-reliance and fortitude, and endless upsurges achieved in production.

What is also important in the economic functionaries' work for carrying through the great leader Comrade Kim Il-song's last wishes is to organize the economic organizational work.

The economic organizational work is an important task which economic functionaries should carry out with responsibility in carrying through the great leader's last wishes.

The socialist economy is a large-scale planned economy based upon collective ownership. Therefore, success in the economic work largely depends upon how economic functionaries carry out the economic organizational work. When economic functionaries carry out the economic organizational work well and properly, we can manage the economy in a planned and rational way, and fully mobilize the inner reserves and make effective use of those reserves in production and construction to the fullest extent. The question of properly carrying on the economic organizational work is of great significance also in elevating the revolutionary enthusiasm of the producing masses and having the heightened spirit of the masses achieve substantial success in work. Economic functionaries should work out scientific and realistic plans for the accomplishment of the great leader's last wishes; dovetail all sectors and all units of the people's economy with each other; and provide sufficient supplies of necessary economic and technological conditions such as raw materials, other materials, and facilities on a timely basis. And, they should help the producing masses carry out more creative and lively activities by controlling and regulating the production process in a detailed way and dealing with the circumstances on a correct and timely basis.

What is also important in enhancing the roles of economic functionaries to carry through the great leader Comrade Kim Il- song's last wishes is to establish a strong discipline of thoroughly implementing the decisions and directives of the Administration Council.

The decisions and directives of the Administration Council are based upon the teachings of the great leader [suryongmin] and upon the lines and policies of the party, which are the embodiments of such teachings, and are aimed at thoroughly accomplishing those teachings, lines, and policies. Therefore, without establishing a strong discipline of thoroughly implementing the decisions and directives of the Administration Council, we cannot embody the party's intention in the socialist economic construction.

All economic functionaries should have a correct view of the decisions and directives of the Administration Council and thoroughly establish the discipline and order under which all problems can be solved under the Administration Council's unified command and control. In particular, economic functionaries should thoroughly establish the revolutionary traits in which the plans of the people's economy—the party's directives and the state's laws—can be surely implemented by month, by quarter, and by index.

All economic functionaries: Bring into full bloom on this land the fatherly leader's lifetime wishes by fulfilling your duties with responsibility the great leader Comrade Kim Il-song's last wishes!

Closing of DPRK Sports Event 7 Nov Reported

SK0811063594 Pyongyang KCNA in English 0454 GMT 8 Nov 94

[FBIS Transcribed Text] Pyongyang, November 8 (KCNA)—The championships of the Democratic People's Republic of Korea which opened on October 20 closed Monday [7 Nov] with success.

Eight players broke world records in four categories and seventeen players set new Asian records in eight categories and some 110 players renewed the DPRK records in fifty categories at the championships.

Yi Hui-pong of the Korean University of Physical Education and Kim Myong-nam of the Kimwancha Sports Group set new world records in jerk (men's 64 and 70 kg categories) and Pak Chong-nan, Kim Myong- hwa and Yi Hyon-ok and Kim Man-chol, Pak Myong-sin and Kim Myong-nam of the April 25 Defence Sports Group in some categories of shooting.

Yi Un-ha, Kim Chol-su and O Hae-yong of the defence sports group and Pae Won-kuk, Kim Hak-song, Cha Tong-hak, O Chang-ok, Pak Nam-u, O Nam-kil of the April 25 Defence Sports Group and other players broke Asian records in some categories of shooting.

South Korea

U.S. Elections 'Will Not Affect' North Policy

SK0911101794 Seoul YONHAP in English 1011 GMT 9 Nov 94

[FBIS Transcribed Text] Seoul, Nov. 9 (YONHAP)—South Korean officials showed confidence Wednesday that the U.S. election results in favor of Republicans will not affect Washington's policy towards Korea.

"The U.S. Congress traditionally supports the administration's foreign policy regardless of party affiliation," said a Foreign Ministry official, "even if the Republicans claim majority in both the House and the Senate, President Bill Clinton's foreign policy including that toward South Korea will not change significantly."

The Republicans, who took a large victory in the U.S. mid-term elections, have in the past criticized Washington's Oct. 21 nuclear agreement with Pyongyang as too concessionary.

"There may be a possibility that the Congress will not be overly positive about implementing the nuclear agreement," said a ministry official, "this could serve as a message to North Korea. "

But Washington's Korean policy is based on firm security commitment and South Korea-U.S. alliance, this official said, "the Republicans are actually more conservative than the Democrats. In this line, no change is expected in the security relations."

U.S. Secretary of State Warren Christopher, in Seoul for consultations on North Korean nuclear problem, said in his Asian policy speech that the foreign policy will remain intact.

"...Whatever the outcome of the mid-term elections, there is a strong continuity in American foreign policy," he said, "our policy toward Asia and particularly toward Korea has strong bipartisan support."

White Paper Remarks on U.S. Forces in Asia

SK0911032394 Seoul YONHAP in English 0234 GMT 9 Nov 94

[FBIS Transcribed Text] Seoul, Nov. 9 (YONHAP)—The South Korean Government expects Washington will not drastically reduce its troops deployed in East Asian countries, including the troops in South Korea, beyond the projected three-phase partial force reduction under the East Asian Strategic Initiative (EASI).

In the 1994 White Paper on Foreign Affairs published Wednesday, the Foreign Ministry, noting the uncertain security situation on the Korean peninsula due to North Korea's nuclear development program, predicted the U.S. Government would not drastically pull out its troops from East Asia in addition to the EASI-planned partial force reduction.

This hints at the possibility that Washington will embark on the second-phase troop pullout from South Korea under the EASI, if deemed necessary in its national interest, despite repeated denials of such possibility by Seoul and Washington officials.

By 1992, Washington slashed its troops in South Korea by 7,000 to 38,000 as the first phase of the three-phase withdrawal plan announced in 1990 and has since postponed indefinitely the second- phase reduction, scheduled to be completed by 1995, because of the nuclear row with North Korea.

The Clinton administration, setting a goal of reducing its defense budget by 110 billion dollars by 1997, has worked out a plan to partially reduce its East Asian forces, including those in South Korea, in three phases by the year 2000 under the EASI, the white paper said.

To protect its national interest in the Asia-Pacific region by playing the leading role in the Asia-Pacific era and cope with the possible instability and uncertainty in the regional security situation due to a regional power game, namely, between China and Japan, the U.S Government will continue keeping its forward military bases, even on a significantly reduced scale, in East Asia on the basis of the triangular security system involving Seoul, Tokyo and Washington, it added.

Reports on Activities of U.S. Secretary of State

President Kim Meets Christopher

SK0911070094 Seoul YONHAP in English 0654 GMT 9 Nov 94

[FBIS Transcribed Text] Seoul, Nov. 9 (YONHAP)—President Kim Yong-sam met visiting U.S. Secretary of State Warren Christopher at Chongwadae [presidential offices] Wednesday morning to exchange views on the situations of the Korean peninsula and the Northeast Asia including ways on strengthening South Korea-U.S. security cooperation after Pyongyang and Washington reached an agreement to the latter's nuclear issue in Geneva last month.

Kim particularly emphasized the importance of the Seoul-Washington cooperation system, pointing out that the actual implementation of the agreement is most important to ensure North Korean nuclear transparency "although a foundation for the political solution to the North's nuclear issue has been established at the Geneva talks," said presidential spokesman Chu Ton-sik.

The spokesman quoted Christopher as having said that, regardless of the U.S.-North Korea negotiations, there could never be any change in Washington's defense commitment to Seoul and the American commitment will be kept in suprapartisan manner, regardless of the U.S. mid-term election.

Christopher noted that as North Korea possesses conventional forces apart from its nuclear development, there would not be any change in the commitment.

Asserting that the important part of the Geneva accords was to call for resuming the inter-Korean dialogue, the U.S. secretary said his country will closely watch over whether the North carries out the contents of the Geneva accord. There will no progress in talks between Pyongyang and Washington without the actual improvement of the inter-Korean dialogue, the secretary observed.

For his part, President Kim said, "I'm confident that the agreement between the United States and North Korea will be faithfully implemented if Seoul and Washington cooperate closely."

Han, Christopher Begin Talks

SK0911013494 Seoul YONHAP in English 0126 GMT 9 Nov 94

[FBIS Transcribed Text] Seoul, Nov. 9 (YONHAP)—South Korea and the United States began high-powered consultations Wednesday, the first meeting since the Oct. 21 nuclear agreement between Pyongyang and Washington.

U.S. Secretary of State Warren Christopher met Foreign Minister Han Sung-chu for private talks, access denied to even photographers, before sitting down to expanded consultation sessions with his Assistant Secretaries Joan Spero for economic affairs and Winston Lord for Asia-Pacific affairs.

"We've talked so often on the telephone, it's nice to hear you in person," Christopher said as he sat down to the enlarged talks.

Drawing attention to a speech he will deliver later in the day on Northeast Asian security matters, Christopher said he "worked for some length on it."

Christopher chose to stop over in Seoul before heading for Jakarta for this year's Asia-Pacific Economic Cooperation (APEC) session, an intended display of strong Seoul-Washington relations to appease fears in Seoul that the United States is warming up too much to North Korea.

The consultations will have to cover multinational arrangements to provide light water reactors to North Korea, the financial burdensharing, North Korea-U.S. security commitment to South Korea.

The Pyongyang-Washington nuclear agreement says North Korea will freeze its nuclear program in exchange for the light water reactors and better political, economic ties with the United States.

'Small Bit of Encouragement' Noted

SK0911061394 Seoul YONHAP in English 0605 GMT 9 Nov 94

[FBIS Transcribed Text] Seoul, Nov. 9 (YONHAP)—U.S. Secretary of State Warren Christopher noted "a small bit of encouragement" Wednesday at talks arranged for this weekend that North Korea will implement its nuclear accord with the United States.

But on actual steps the United States will take to improve economic ties with North Korea, Christopher said Pyongyang will have to prove itself more faithful.

Referring to the meeting in Pyongyang on disposition of the spent fuel rods that can produce as many as five nuclear bombs when reprocessed, Christopher said this is "a small bit of encouragement that the implementation (of the accord) will proceed smoothly."

The secretary came to Seoul on his way to APEC [Asia Pacific Economic Cooperation] summit in Jakarta. The high-level consultations here were the first since the United States and North Korea signed the nuclear accord last Oct. 21 freezing Pyongyang's nuclear program in exchange with new internationally financed reactors and better relations with the United States.

The accord "opens the way to control North Korea's nuclear program," said Christopher in a brief meeting with the press.

Asked about when Washington will start lifting trade restrictions against Pyongyang, the secretary said that depended on North Korea.

"It depends on development, the success of implementation (of the accord), discussions with North Korea," he said, "one of the greatest virtues of the accord is that it is sequenced, syncopated" so that the terms are carried out only when North Korea performs its obligations.

Christopher Stresses N-S Talks

SK0911030194 Seoul YONHAP in English 0250 GMT 9 Nov 94

[FBIS Transcribed Text] Seoul, Nov. 9 (YONHAP)—U.S. Secretary of State Warren Christopher reiterated the importance of inter-Korean dialogue Wednesday and pledged to freeze American troop pullout as long as North Korea's military threat remains.

Christopher confirmed once again that the light water reactors to be given to North Korea would be South Korean models, and that Seoul will play the central role in the reactor project.

He also confirmed that the interim energy, to be provided during reactor conversion, will be arranged under U.S. leadership while Seoul will participate only in the reactor project.

Christopher came to Seoul Tuesday for the first South Korea-U.S. high-level consultations with South Korean Foreign Minister Han Sung-chu since the Oct. 21 nuclear agreement between Pyongyang and Washington.

The two foreign ministers concluded that the Oct. 21 agreement laid the basis to solve North Korea's nuclear problem, to stabilize the Korean peninsula and honor the Nuclear Non-proliferation Treaty (NPT) regime, Han's spokeman Chang Ki-ho said after the hour-long consultations.

"But they both saw the agreement as only the beginning of a solution to the nuclear problem and promised to maintain and strengthen bilateral and multilateral efforts to have North Korea implement the terms of the agreement," the spokesman said.

The U.S. secretary reconfirmed that South Korean-style reactors will be provided to North Korea with Seoul assuming a central role in the entire project.

The two officials agreed to continue discussions on formation, functions and members to the Korea Energy Development Organization (KEDO) which will be in charge of the reactor project.

Details of KEDO establishment will be addressed at separate talks between U.S. chief nuclear negotiator Robert Gallucci and South Korean Assistant Foreign Minister Choe Tong-chin later in the day.

"The two ministers emphasized the need for inter-Korean dialogue for effective implementation of the nuclear agreement," Chang said in the post-consultations briefing.

"In this line, secretary Christopher said Washington will drive in the message at upcoming experts' talks with Pyongyang. He made it a point that U.S.-North Korea relations improvement will proceed in harmony with inter-Korean ties, that U.S.-North Korea diplomatic normalization require time, possible only after all pending issues are cleared," he said.

The U.S. official noted many remaining hurdles for peace to completely settle on the Korean peninsula despite the nuclear agreement.

"He made clear that the U.S. security commitment to South Korea is firm as long as North Korean military threat is present. He pledged that the United States is not considering any change in the scale of American troop presence," said the spokesman.

Christopher welcomed South Korean President Kim Yong-sam's announcement Tuesday laxing restrictions on inter-Korean cooperation, predicting that such a move will create a favorable condition for implementation of the nuclear agreement, said Chang.

Christopher reassured Han that regardless of elections outcome in the United States, Washington will stay consistent in its policy toward North Korean nuclear issue and in its cooperative relations with South Korea.

Christopher: Unshakeable Commitment

SK0911093194 Seoul YONHAP in English 0924 GMT 9 Nov 94

[FBIS Transcribed Text] Seoul, Nov. 9 (YONHAP)—Top U.S. foreign policymaker drove in a firm message Wednesday on Washington's unshakeable security commitment to Seoul as part of continued U.S. involvement in Asia.

"The bedrock of our security commitment to the region will remain our forward military presence, supported by our treaty alliances with the republic of Korea, Japan, Australia, the Philippines and Thailand," Secretary of State Warren Christopher said in a speech here.

"As President Clinton has pledged, our troops will stay here as long as the Korean people want and need us here," he said, "the United States will stand by you. We will remain unshakably committed to your defense."

The secretary came to Seoul on a high-powered visit with the key aim of appeasing South Korea about the recent Pyongyang-Washington nuclear agreement that some took as too cozied up to rival North Korea.

Christopher's speech, sponsored by the Korea-America Friendship Society, mentioned again and again the security commitment in an apparent message to both South and North Korea.

"I am here this afternoon to reaffirm the enduring commitment of the United States to the security of the Republic of Korea and to peace and stability on the Korean peninsula," he began.

He lauded the nuclear agreement as one that successfully removed "the greatest threat to international security since the Cuban missile crisis."

"The signing of the agreement brings a new challenge for the United States and the Republic of Korea...We are moving from negotiation to implementation, from words to deeds," he said about the nuclear pact.

The nuclear agreement commits North Korea to freeze its nuclear program. It receives in return a set of new, advanced reactors and promise of economic assistance from the United States and the West.

"North Korea's current capacity to separate or produce plutonium...The most toxic substance on earth, will come to an end," Christopher said.

It also lids the existing and planned reactors that could have made dozens of bombs each year, he said.

Christopher went into greater detail about the operation of Korean Energy Development Organization (KEDO), the multinational group that will arrange provision of the reactors for North Korea.

"South Korean companies will play a central role in the provision of the reactors, just as the Republic of Korea will play a central role in the management of KEDO," he said, "the U.S., the Republic of Korea and Japan will meet this month to prepare for a multilateral KEDO conference we plan to hold before the new year."

The secretary greatly encouraged regional security dialogue to reflect "the new times" where no country views another as an immediate military threat.

"The end of the Cold War means that we and our allies can now work with China and Russia to resolve common security concerns in the Pacific. That is why we are encouraging new regional security dialogues among past and potential adversaries," he said.

Dailies on Christopher's Visit

SK0911044794

[FBIS Editorial Report] The following is a compilation of editorials carried in Seoul vernacular newspapers on 9 November on U.S. Secretary of State Warren Christopher's visit to the ROK.

The conservative CHOSON ILBO publishes on page 3 a 1,200-word editorial entitled "Remarks To Be Made to Christopher." Noting that the U.S.-DPRK agreement is a new beginning, not the end of the game, because "the U.S.-DPRK and ROK-U.S. wrangling and bargaining will take place over the implementation of the Geneva agreement," the editorial says U.S. State Secretary Warren Christopher's visit to the ROK means the beginning of such wrangling, and urges the government to receive him "attentively." Stressing that the issue of whether our exclusively-designed "Ulchin-model light-water reactor" or the ROK-U.S. jointly-designed "Yonggwang-model light-water reactor" is a very important issue, the editorial points out that if the United States selects the latter, the government should clarify a "resolute stance" by using the expenses for the support as a lever.

The editorial also emphasizes that we should not be responsible for even a penny in the supply of heavy oil to North Korea, no matter what "pressure" the United States may apply, and that we should pay attention to "what measures the United States will take in the event that North Korea does not keep 'the Geneva agreement.'" Regarding the ROK-U.S. alliance, the U.S. defense commitment, and the continued role of U.S. Forces in the ROK, the editorial calls on the government to get "an explanation" from the U.S. side on its faith that these measures are in its national interest, not rhetoric to appease the Korean people. Noting it is time for us to "tune the new stage of ROK-U.S. alliance," the editorial stresses that the government and the people should jointly and actively work out "a just and fair multi-channel lobbying system toward the United States" in order to earnestly persuade all circles in the United States to listen to our "reasonable allegations."

The pro-government SEOUL SINMUN publishes on page 3 a 1,200-word editorial entitled "We Ask the U.S. State Secretary." In addition to welcoming him, the editorial expresses a somewhat "uneasy feeling" toward the visit to our country by U.S. State Secretary Warren Christopher because of speculation that his visit may be aimed at "giving us additional burdens." It states that there is a possibility of "discord" between the ROK and the United States over the issue of bearing the expenses required for support of light- water reactors to North Korea; the expense for support of heavy oil, and the speed of the U.S. measures for establishing U.S.-DPRK diplomatic relations, including setting up liaison offices. The editorial calls on the U.S. secretary of state to pay attention to the fact that in the event "the ROK's central role" is ignored in the course of supporting light-water reactors to North Korea and unfair instances take place in ROK-U.S. cooperative system, "serious problems" may be unexpectedly brought about and that we think that the North Korean issue is our own.

Officials Agree on KEDO Headquarters in U.S.

SK0911100394 Seoul YONHAP in English 0949 GMT 9 Nov 94

[FBIS Transcribed Text] Seoul, Nov. 9 (YONHAP)—South Korea and the United States tentatively agreed to place the headquarters of the Korean Energy Development Organization (KEDO) in New York, sources in Seoul said Wednesday.

The tentative decision, to undergo final approval at South Korea- U.S.-Japan trilateral consultations later this month, is to have the headquarters where North Korea has a diplomatic mission, the sources said.

The consensus was reached during U.S. Secretary of State Warren Christopher's Seoul visit where high-level negotiations took place for the first time Wednesday since the Oct. 21 nuclear agreement between Pyongyang and Washington.

The two sides have not decided on the scope of participants to KEDO, which is in charge of arranging a multinational consortium to give North Korea a set of light water nuclear reactors and to provide alternative energy during the reactor system transition.

"Some are saying it is better to keep the participants' number to below five so that it would be easier to derive conclusions, while others emphasize inclusion of other major nations such as Russia and China," one source said.

To actualize South Korea's central role in KEDO, the two countries are hoping to create a "two-tier" structure where the United States, as the signatory of the reactor project, will be in charge of the outer ring of the organization and South Korea in charge of the inner ring, the source said.

"This way, Seoul will be guaranteed the critical role in operating and managing the organization while the actual signing obligation remains with the United States," he said.

Christopher said in his speech earlier in the day that Seoul will play a central role not only in provision of the reactors but in the management of KEDO.

The first meeting of the organization is to open within this year.

Dailies Review UNSC Statement on Nuclear Issue

SK0611065994

[FBIS Editorial Report] The following is a compilation of two articles and an editorial published in the 6 November vernacular Korean language newspapers dealing with the presidential statement adopted at the UN Security Council su?he'awork reached between the United States and North Korea in Geneva and specifying in writing the obligations that North Korea should implement.

The conservative CHOSON ILBO carries on page 3 a 1,500-word article written by reporter Kim Sung-yong based in the United Nations Headquarters which interprets the adoption of the statement as laying a political and legal foundation for the Security Council to watch whether North Korea is implementing the agreement reached in Geneva. The article reviews North Korea's resistance to the U.S.-prepared draft of the statement, which was adopted unanimously by member countries without making significant changes in the original draft. While reviewing the obligations that North Korea should fulfill in abiding by the nuclear safety regulations, the article says: "In view of the resistance North Korea expressed in the process of conducting the negotiations concerning the statement, there is the high likelihood that North Korea will begin criticizing this statement. Accordingly, it seems that in the future negotiations to put the U.S.-North agreement into practice, a delicate tug-of-war will be undertaken between the United States, the North and between other countries concerned, in an attempt to interpret the Geneva agreement to their own individual taste."

The moderate TONG-A ILBO carries on page 3 a 900-word editorial which says: While the agreement reached between the United States and North Korea lacks a device of the relevant international law to watch whether North Korea is actually freezing its nuclear activities, the Security Council has issued a presidential statement supporting the U.S.-North agreement and placing North Korea's nuclear issue under the continuous observation of the council.

The editorial adds that though the statement is not a resolution binding under international law, the statement presents a new function to the International Atomic Energy Agency [IAEA] so that the agency can take all necessary measures to watch North Korea's freeze of its nuclear activities and verify whether North Korea fully fulfills the nuclear safety regulations.

Saying that "the statement is also affecting the ROK diplomacy," the editorial advises both the ruling and opposition political parties of the ROK to have a cool-headed understanding of the reality that North Korea's nuclear issue has now been placed in the framework of international politics. In the meanwhile, the editorial says with some regret that the Security Council's presidential statement has defined only a large outer boundary within which North Korea's freeze on its nuclear activities and its implementation of nuclear safety regulations can be verified; and vagueness and pitfalls are hidden in the U.S.-North agreement in which each party can shuffle off the responsibility for failing to implement the agreement on to the other side.

The editorial concludes by saying: "North Korea will again try to exclude the ROK from playing a role in the process of implementating the North-U.S. agreement. The Security Council's checking device will not be able to solve all of this. But, North Korea should give serious thought to why the North-U.S. agreement has been placed under the framework of the Security Council."

The moderate KYONGHYANG SINMUN carries on page 3 a 700-word article written by correspondent Pak Su-man based in the United Nations Headquarters which says that the Security Council presidential statement adopted on 4 November ratifies the U.S.-North Korean agreement reached in Geneva and makes clear that the Council will be watching whether North Korea is implementing the agreement.

Reviewing the positions of the Security Council member countries concerning the adoption of the statement, the editorial says: "The statement used the term "note," instead of "welcome," except for some points such as the denuclearization of the Korean peninsula and the resumption of the South-North dialogue. This was because of the uncomfortable positions of Britain and France.

Considering North Korea's stance, the PRC was showing a negative attitude toward adopting the statement and also raised an objection to the idea of directly forcing demands upon [chokku] North Korea in the process of fine-tuning the wording of the statement.

This notwithstanding, in view of the fact that realistically speaking, there is basically no means to solve the North's nuclear issue other than the North-U.S. agreement, the PRC has ratified the agreement, and only requests to the IAEA were included in the statement."

Daily Describes 'Energy Crisis' in DPRK

SK0811011194 Seoul HANGUK ILBO in Korean 7 Nov 94 p 8

[Report by Hong Yun-o: "Overall Energy Crisis in North Korea"]

[FBIS Translated Text] North Korea's energy shortage is becoming more serious with each passing day. North Korea is in a state of absolute shortage of all energy resources, including coal, oil, and electricity. As a result, the plant operation rate, which showed 40 percent early this year, has been lowered to 30 percent in the second half of the year.

Fortunately, however, North Korea will receive the support of light-water reactors with the settlement of the U.S.-DPRK nuclear negotiations in Geneva. In addition, North Korea has succeeded in obtaining insurance for the supply of crude oil as alternative energy.

Nevertheless, such energy crisis, together with a serious food shortage, is the greatest impending task which North Korean regime should resolve as a top priority. It is likely that unless North Korea takes special and drastic measures, such as a bold policy for opening up, including an overall amendment of its energy policy, the crisis will continue in the future.

According to the "chuche-oriented economic line," North Korea reduced to the maximum its consumption of oil, the whole amount of which is imported from foreign countries, and instead, depended 70 odd percent of its entire energy demand on coal. Thus, North Korea has been pushing ahead with the so-called the "coal-first and oil- next" policy.

It is estimated that approximately 15 billion tons of coal, including 11.74 billion tons of hard coal and 3 billion tons of brown coal, are underground in the North Korean area at present. Of them, the quantity of exploitation-feasible coal is expected to be approximately 7.9 billion tons. With a goal of building a self- reliant economy by utilizing such resources to the maximum, North Korea developed 100 odd "central scale" mines across the country and is now operating them. Besides, North Korea is operating about 500 small and medium-size mines in local districts.

The National Unification Board estimates that in view of such amount of deposited coal and mining facilities, North Korea's practical annual coal production is approximately 35 million tons. At the 21st Plenary Meeting of the Sixth Party Central Committee held in December last year, North Korea announced that during the period of the third 7-year plan (1987 to 1993), coal production showed a 1.4 times increase compared to that of 1986 (annual average 4.9 percent), and thus attained more than 90 percent of the production goal. Entering the nineties, however, North Korea's economy was thrown in a state of overall stagnation. As a result, its financial status turned worse, and practically no investment was made for the construction of new mines. With outdated mining equipment and with pits being dug deep, the mining situation worsened. As a result, the rate of practical fulfillment of annual plans during this period was estimated at 34.9 percent. In other words, the quantity of North Korea's coal production, which was 37. 5 million tons in 1986, was 27.1 million tons in 1993, thus showing a 27.7 percent decrease.

The reduction in the quantity of coal production worked as a direct cause of increasing other energy crisis. The entire power generation capacity in North Korea was 7 million and 142,000 kilowatt (hydraulic 4 million and 292,000 kw and thermal power 2 million and 850,000 kw) as of the end of last year. Of this, actual power generation was estimated at 22.1 billion kwh, showing 10.5 percent decrease from the previous year. This is only 37 to 44 percent of overall North Korea's annual demand of electric power, which is estimated to be 50 to 60 billion kwh, thus showing serious shortage in electricity. North Korea is making every possible effort to resolve electricity shortages. However, the construction of hydraulic and thermal power stations, which began from the first year of third 7-year plan throughout North Korea, has been dull. Besides, electricity generation and transmission facilities became outdated; the loss in electricity generation increased due to outdated energy management technology, and supply of coal was short. As a result, the overall energy situation is not likely to improve soon.

The extent of North Korea's reliance on crude oil remained only at 8.1 percent of the overall demand of energy. However, the transportation and agricultural industry areas have suffered a very serious blow because they only use oil. North Korea's import of crude oil decreased each year since 1989, and last year's overall operational capacities of oil refining facilities were 3.5 million tons. However, the amount of annual oil supply was 1.36 million tons, and the rate of operation of oil refining facilities remained only at 43 percent. Furthermore, North Korea imported crude oil from China at a so-called "friendship price" which is 50 percent cheaper than the international price. North Korea, however, is trying to diversify the sources of oil imports. Nevertheless, it appears difficult for North Korea to secure crude oil on a stable basis owing to shortage of hard currency.

Meanwhile, regarding North Korea's energy problem, Yi Hong-ku, deputy prime minister and unification minister, while inspecting the construction site of Yonggwang atomic reactor No. 4 in South Cholla Province on 3 November, revealed that "Even before the contract for construction of light-water reactors in North Korea is concluded, North and South Korea should push ahead with a new consultative body or talks for the creation of an energy commonwealth." Thus, whether his remarks will effect practical fruition or not attracts people's attention.

Seoul To Issue Guidelines for Visits to North

SK0911075094 Seoul YONHAP in English 0727 GMT 9 Nov 94

[FBIS Transcribed Text] Seoul, Nov. 9 (YONHAP)—The government plans to issue businessmen planning to frequently visit North Korea permits with 18-month validity for their convenience and allow business firms to station up to five representatives in their North Korea-based offices.

The maximum length of stay in North Korea of the engineers and technicians who are to be based there in connection with processing- on-commission trade will be 18 months but its extension will be allowed on demand if necessary, government officials said.

The government is also to encourage the establishment of a self- regulating coordination body at the non-governmental level to prevent excessive competition among the businesses trying to advance into North Korea.

These are some of the details of "the regulations on handling South-North economic cooperation projects" and "the guidelines for businessmen's North Korea visits" expected to be worked out at a meeting of the council for promoting South-North exchanges and cooperation to be presided over by Deputy Prime Minister Yi Hong-ku Saturday.

"In the past, businessmen had to get an approval each time when they visited the North. But we plan to issue them with 'North Korea-visit permits' valid for 18 months in an effort to activate the inter-Korean economic cooperation in a practical sense," an official said.

Pointing out that the resident representative offices of foreign businesses in Najin-Sonbong free trade zone are not allowed to have more than five members, the official said, "we will permit our firms to have up to five officials there if their security is guaranteed."

Government 'Willing To Offer' Rice to North

SK0911015794 Seoul YONHAP in English 0122 GMT 9 Nov 94

[FBIS Transcribed Text] Seoul, Nov. 9 (YONHAP)—Once inter- Korean relations have improved and economic cooperation activated, Seoul's supply of rice to Pyongyang will again be promoted, it was learned Wednesday.

Noting food shortage in the North, a senior government official said, "the government is willing to offer the North with government- held rice if and when it is requested by Pyongyang."

Though it has been suffering from food shortage not only among the citizens but in the military as well, the reclusive country finds it difficult to import staple food rice due to insufficient foreign currency. "As a result, it is highly likely for the North to ask us for the supply of rice," the source said.

Should this be realized, the government will supply to the North Tongil variety of rice.

Government-held rice is estimated to reach 1,010,880 tons as of the end of November and diminish to about 871,200 tons at the end of next year. Nevertheless, the government can afford to supply a considerable quantity of rice to the North after excluding stock for security purposes, the official said.

Of the government-held rice, Tongil variety is expected to top some 504,000 tons at year's end, comprising 216,000 tons in the 1989 produce and 288,000 tons in 1990 yield, the latter of which is adequate for eating.

"If a large quantity of rice is supplied to the North, the nation may encounter some difficulty in using rice for alcohol production and processing purposes," the official said.

In the meantime, North Korea's grain produce totaled 3,898,000 tons in 1992, 2,167,000 tons short of the demand, according to the Korea Rural Economics Research Institute (KREI).

Due to damage from cold weather in 1993, North Korea sustained a 30 percent drop in grain harvests and rice crop reached only 570,000 tons to 700,000 tons, falling short of the demand by between 2,190,000 tons and 2,320,000 tons.

Meanwhile, a charity organization "share rice with love movement headquarters" in 1990 donated 800 tons of rice to the North. In 1991, the South was to supply the North with 100,000 tons of rice on a barter basis with North Korean anthracite coal, but managed to transport only 5,000 tons on account of hesitation to receive it on the part of Pyongyang.

Poll: Majority Favors North-South Economic Ties

SK0911130794

[FBIS Editorial Report] Seoul CHUNGANG ILBO in Korean on 9 November publishes on page 3 a 2,000-word report on a survey that was conducted on 8 November on inter-Korean economic cooperation, which is expected to take place in the wake of the government's decision to lift the ban on ROK businessmen's visit to North Korea.

According to the survey conducted via telephone of 1,011 males and females across the country, 86.5 percent of the respondents welcomed President Kim's announcement about the resumption of inter- Korean economic cooperation, and 11.8 percent opposed his decision, while 1.7 percent answered they do not know.

In addition, 71.9 percent positively evaluated "the ROK Government's dramatic turnabout in its policy toward North Korea." The daily analyzed that this is "based on an understanding that the current step will serve as momentum to vitalize the ROK economy."

However, when asked if "North Korea will accept our side's economic proposal," the pollees were equally divided into two groups: 46.7 percent predicted that North Korea will accept it, while 50.2 percent answered no.

Asked the question "How Should the Government Vitalize North- South Economic Cooperation?" 22.6 percent said the government should "actively pursue cooperation" while 77 percent answered inter-Korean economic cooperation should "be cautiously and orderly carried out." Thus, the respondents, in general, saw that "cautiously approaching economic cooperation will minimize risks."

Asked if "the North Korean nuclear issue, which the government decided not to link to inter-Korean nuclear collaboration, will be smoothly resolved," 51.4 percent answered yes, while 46.5 percent said no. This shows that "there is a gap between the government's assessment that a breakthrough would be made in the North Korean nuclear issue, and the people's view."

Reacting to the question "whether the government's control and supervision of ROK businesses advancing into North Korea is necessary to avoid overheated competition," 52.6 percent said yes and 44.0 percent answered no.

On the step to "allow the use of North Korean manpower at construction and resources development sites in third countries on a pilot basis," which was announced by Vice Unification Minister Song Yong-tae on 8 November, 70.5 percent positively evaluated such a step while 27.3 percent expressed apprehensions.

On the government's plan to "allow travel back and forth through third countries as well as through Panmunjom" 89.9 percent had an upbeat view.

In addition, 42.2 percent felt "North Korea will benefit most from the economic exchange," while 41.6 percent answered "both the North and South will." Only 8.7 percent said "the ROK will." The report continues that "however, 81 percent said our government should help North Korea join the international community and 82.1 percent thought that the ROK Government should provide daily necessities to the North and help it build up social overhead capital. This signals that the majority of pollees seem to think that economic cooperation is for the interest of the fellow countrymen in the North, not for that of the North Korean regime, even though the North has the most to gain."

President Kim's remark that the ROK Government will allow North Korea to establish amicable relations with Asian countries received 86.5 percent approval.

Asked if "inter-Korean economic cooperation is a prelude to a change in the North Korean society," 82.6 percent said "it is a matter of a time before North Korean society is opened."

In addition, 60.3 percent of the respondents predicted that "the step to vitalize inter-Korean cooperation will further lead to the solution of dispersed families in the North and South, and the vitalization of the exchange in the social and economic fields."

The sampling error of the current survey is "plus or minus 3.1 percent."

Survey: Japan To Profit Most in DPRK Market

SK0611040594 Seoul KBS-1 Radio Network in Korean 0300 GMT 6 Nov 94

[FBIS Translated Text] A survey reveals that when the North Korean market is opened, Japanese enterprises will make the most profitable use of that market.

The result of a survey conducted by the Ministry of Trade, Industry, and Resources shows Japan ranks foremost in terms of the number of enterprises that have so far invested in North Korea. A total of 101 Japanese enterprises have advanced into the fields of foodstuff, beverage, textile, clothing, ultramodern items, and items closely related to the people's livelihood.

In the meantime, according to the survey, only five enterprises each from the PRC and Russia, which have political and military relationships with North Korea, have made investments in the North. They are doing business only in conventional industries, such as restaurants and fisheries.

While ROK businesses or foreign enterprises based in the South have not yet advanced into North Korea, only one enterprise each from France and Denmark have made investments in North Korea. As a result, an analysis shows the Japanese enterprises will make the most profitable use of the opening up of the North Korean market in the future.

DPRK Reportedly Reinvites South Businessmen

SK0711074794 Seoul HANGUK ILBO in Korean 7 Nov 94 p 1

[Report by Choe Won-ki]

[FBIS Translated Text] On the threshold of the government's resumption of the first phase of economic cooperation with North Korea, it was learned on 7 November that North Korea has recently reissued invitations to ROK businessmen, including Hyundai Group honorary Chairman Chong Chu-yong and Samsung Chairman Yi Kon-hui.

A source well-informed in North Korean affairs stated: "The North Korean authorities—who have begun work to simplify the channels of inter-Korean economic cooperation—have recently reissued invitations to ROK businessmen in the name of Chairman Choe Chol-yon of the Koryo National Industrial Development Association [KNIDA] based in Beijing."

The KNIDA is an organization for promoting economic cooperation that was reorganized and founded by North Korea last September to simplify the channels of overseas and inter-Korean economic cooperation through which the North's economic cooperation had been carried out sporadically by the party, the administration, and the military.

This is the first time North Korea has issued invitations to ROK businessmen since North Korea unified all affairs concerning overseas economic cooperation under KNIDA following the death of Kim Il-song. Observers analyze this as a sign that North Korea hopes to vitalize ROK business investment in North Korea.

In the meantime, the businesses concerned flatly denied the alleged report. However, Hyundai Group honorary Chairman Chong Chu-yong said to Chinese Premier Li Peng during his stay in the ROK that he is "planning to visit China and North Korea within this year."

Chairman Chong was the first ROK businessman to visit North Korea. During his visit in 1989, he had received an order to take part in the development of the Mt. Kumgang tourist area and the Wonsan shipbuilding yard. The projects failed to take place, however, due to the ROK Government freezing North-South economic cooperation in October 1992.

Seoul on North-Bound Remission for Investment

SK0911025694 Seoul YONHAP in English 0225 GMT 9 Nov 94

[FBIS Transcribed Text] Seoul, Nov. 9 (YONHAP)—The government has decided to permit businesses to remit money to North Korea only on their reports in case they are to invest there.

In accordance with the government measures announced Tuesday to activate the inter-Korean economic cooperation, according to Finance Ministry officials, businessmen will be allowed to remit investment funds to the North only on their reports at the pertinent authorities when they have got their joint venture or 100 percent single-handed investment plans approved by the National Unification Board (NUB).

The government is planning to revise the foreign exchange control law as early as possible so that exceptional rules enabling such North Korea-bound remissions will be installed in the law.

Currently, remitting less than 300,000 dollars for the purpose of investment abroad can be done simply upon being certified by any local banks authorized to do foreign exchange business.

But the remittance in any amount between 300,000 to 10 million dollars should be reported in advance for the examination of the Bank of Korea, Korea Development Bank or Export-Import Bank of Korea, or other local banks authorized for foreign exchange business.

Any remission of 10 million U.S. dollars or more should be made on approval of the Bank of Korea, Korea Development Bank or Export- Import Bank of Korea after having been screened by the deliberation committee on overseas investment projects.

Local Firms Cautious About Business in DPRK

SK0911070294 Seoul YONHAP in English 0551 GMT 9 Nov 94

[FBIS Transcribed Text] Seoul, Nov. 9 (YONHAP)—South Korean business firms are cautious about promoting business links with North Korea on account of poor investment conditions there and lack of institutional safety devices required for earnest inter-Korean economic cooperation.

It is thus expected that initial-phase South Korean business activities in the North will be centered on small-scale industries manufacturing such daily necessities as foodstuff, garments, medicines, footwear and toys.

The nation's business conglomerates are of course promoting advances to the North positively, but they are likely to start either with small-scale investments or collaborations with small businesses.

Business sources noted Wednesday that, in view of the realities in North Korea, it will be quite a while before the authorities of two Koreas work out institutional mechanisms for activated economic exchanges with and investments in the North.

As such regimes, they cited an investment guarantee agreement, double-taxation prevention accord, concrete means for the settlement of accounts and arbitration procedures.

Very poor investment conditions in the northern half of the peninsula are also considered to be a major obstacle to investments by South Korean enterprises.

Furthermore, the areas in which the North wants South Korean firms to invest including the Najin-Sonbong free economic and trade zone are rather isolated with backward infrastructure, rendering it difficult to recruit manpower and obtain energy including electricity, they noted.

Many firms in North Korea operated by Korean residents in Japan affiliated with Chochongnyon or the federation of pro-Pyongyang Korean residents have reportedly encountered serious problems such as much longer periods than planned for the construction of plants, difficulties in mobilizing manpower and lack of administrative support from North Korean authorities.

Given such a situation, South Korean enterprises are studying investments in North Korea with caution and consider it difficult to make huge investments until Pyongyang takes concrete actions encouraging them.

As a result, some South Korean enterprises actively promoting visits to the North are more interested in information collection and fact finding on the scene rather than in immediate investments.

Hyundai Plans for DPRK Investment Detailed

SK0911031994 Seoul THE KOREA HERALD in English 9 Nov 94 p 8

[By staff reporter Choe Nam-hyon]

[FBIS Transcribed Text] With its founder, Chong Chu-yong, reportedly invited to visit North Korea again, the Hyundai Business Group is planning to promote several projects in the North.

Ranking Hyundai officials have been contacting North Korean counterparts to discuss possible joint-ventures, the Hyundai Business Group said yesterday.

With the political climate improving for inter-Korea economic cooperation, Chong Chu-yong, honorary chairman and founder of the Hyundai Business Group, is reportedly planning to visit the North at Pyongyang's invitation this year.

Hyundai refused to comment on Chong's impending visit to Pyongyang. He last visited North Korea in January 1989 to study investment opportunities there.

Other South Korean business groups are also planning on the dispatch of their delegations to the North, which President Kim Young-sam said would be permitted by the South Korean government.

The Hyundai Business Group said that Hyundai Engineering and Construction Co. will promote itself as the lead manager of a project to build nuclear power plants in the North.

Other Hyundai companies will also seek to develop Mt. Kumgang as a major North Korean tourist attraction, assemble rolling stock and build a ship-repair dockyard in the North, the group said.

Those projects proposed by the group, except for the light-water nuclear reactor project, are some of the projects that Hyundai founder Chong broached when he visited North Korea in 1989.

"'We have studied the projects our honorary chairman agreed on (with North Korean officials) during his visit to North Korea in January 1989—the development of Mt. Kumgang, the construction of a repair dockyard in Wonsan in a joint venture, and the joint-venture production of rolling stock," said a Hyundai official.

Ranking officials of Hyundai Corp., Hyundai Engineering and Construction Co. and Keum Gang Development Industrial Co. recently met their counterparts from the North in Beijing on those projects, the group said.

Hyundai Corp., the group's trading arm and the first South Korean company to import North Korean goods, has maintained a task force working on economic cooperation with North Korea.

The Hyundai Business Group's scheme to become a major player in the North Korean economy is gaining momentum as two political obstacles are being cleared.

Hyundai had to shelve its North Korean projects when it was estranged from the South Korean government after its founder Chong ran for the presidency and vilified President Kim Yong-sam in the 1992 election.

President Kim's administration appears to be relenting toward Hyundai and Chong after he was sentenced to three years in prison with the four-year stay of execution in a high court in July this year.

Another political development halting economic exchanges between Hyundai and other South Korean corporations and North Korea was the suspected North Korean ambition to develop nuclear weapons in the face of sanctions from the United States and other nations.

Last month, however, the United States and North Korea reached an accord on the nuclear issue. In a complex deal which would prevent North Korea from developing nuclear weapons, the United States promised to arrange the provision of light-water reactors to the North. South Korea is to foot more than half of the bill.

Concluding the Washington-Pyongyang accord has eliminated a North Korean nuclear threat to the South, President Kim said Monday that he will permit South Korean businessmen to visit the North and take other measures to promote inter-Korea economic cooperation.

Hyundai Engineering and Construction Co., which has played a major role in the construction of nuclear power plants in the South, wishes to become the lead managing company of the North Korean nuclear project, a Hyundai official said.

However, the official said, Hyundai will approach the issue of launching its North Korean projects with caution as there is no legal or institutional protection of its proposed investments in the North.

He said South and North Korea need to conclude accords on investment protection and double taxation avoidance if they are to encourage investments in the North.

Journalists Association Proposes N-S Exchange

SK0911010894 Seoul YONHAP in English 0059 GMT 9 Nov 94

[FBIS Transcribed Text] Seoul, Nov. 9 (YONHAP)—The Journalists Association of Korea (JAK) put forward a proposal on Wednesday to its North Korean counterpart for mutual exchange in the field of the press including exchange of resident correspondents.

In the proposition addressed to the (North) Korean Journalists Union (KJU), the association said, "We propose to begin South-North Korean exchange of journalists in order to promote mutual understanding and cooperation between South and North Korea which would enhance the great work of unification."

The details of the proposal include periodical meetings and mutual visits by delegations from the two journalists groups, joint communique for peaceful unification by South and North Korean journalists and dispatch of a South Korean press corps to the inaugural ceremony of a new North Korean president.

The association also suggested that journalists from the two sides mutually visit industrial complexes or special economic zones and that resident correspondents be exchanged.

The association proposed that the JAK and KJU meet at the truce village of Panmunjom or in Seoul or Pyongyang to discuss the exchange projects at an early date without any condition.

The association has pushed for the South-North journalists exchange project and obtained the government approval for contact with residents in North Korea last month.

Russian Official Describes Policy on Koreas

SK0911071194 Seoul CHUNGANG ILBO in Korean 9 Nov 94 p 2

[Report by correspondent An Song-kyu from Moscow]

[FBIS Translated Text] Russia has stressed that it will implement equidistant diplomacy toward North and South Korea in defiance of Seoul's opposition, and that if the United States attempts to expand its influence on the Korean peninsula by ignoring Russia's interest, tensions will be heightened on the Korean peninsula.

Russia also said that it is ready to sign a political document to define new relations between Russia and North Korea, and warned that North and South Korea should not attempt to use a Russian card in an effort to drag Russia into their sides.

This was revealed by Valeriy Denisov [name as transliterated], deputy director-general of the Russian Foreign Ministry's Asian Bureau, in an article he contributed recently to the NEZAVISIMAYA GAZETTA. He wrote that Russia will positively implement a foreign policy opposing ROK-leaning diplomacy and a U.S.-led resolution of the problems on the Korean peninsula. Denisov's view appears to be the expression of the complaint that Russia has been ignored in the course of recent changes in the situation surrounding the Korean peninsula.

It is the first time that a high-ranking working official in charge of policies toward the Korean peninsula in the Russian Foreign Ministry officially commented on the policy on the Korean peninsula.

In the article, Denisov said that "The United States is expanding its influence on North Korea with the purpose of becoming the only country deciding the destiny of the Korean peninsula without considering Russia's interest at all." He stated that "Russia should not ignore Pyongyang's hope for normal relations and political dialogue, despite Seoul's discontent."

North Freighter Arrives in Singapore From Manila

SK0811024394 Seoul YONHAP in English 0100 GMT 8 Nov 94

[FBIS Transcribed Text] Bangkok, Nov. 8 (YONHAP)—The North Korean freighter which had been docked in Manila port, creating safety concerns due to scheduled visits by the South Korean and U.S. Presidents, arrived in Singapore Monday afternoon via the Indonesian port of Pontianak after unloading its cargo, a Philippine Government source disclosed.

South Korean President Kim Yong-sam and U.S. President Bill Clinton are scheduled to visit the Philippines around the Asia- Pacific Economic Cooperation (APEC) summit in Indonesia next week.

The freighter Mudubong-ho was set to leave Manila port over the weekend but was delayed to unload soybeans and other food it was carrying from India.

The source said the Philippine coast guard checked all crewmen aboard the vessel before it departed.

As the North Korean ship did not sail on schedule, Philippine Government authorities ordered close surveillance of its crew.

Forty-four crewmen were aboard the Mudubong-ho when it arrived in Manila's South harbor, but they were unable to come ashore due to Manila's refusal to issue visas.

Members of Entourage for APEC Summit Announced

SK0711095394 Seoul YONHAP in English 0844 GMT 7 Nov 94

[FBIS Transcribed Text] Seoul, Nov. 7 (YONHAP)—The government announced the entourage Monday that will accompany President Kim Yong-sam to the Asia-Pacific Economic Cooperation (APEC) summit and on visits to the Philippines, Indonesia and Australia.

Foreign Minister Han Sung-chu, Trade, Industry and Energy Minister Kim Chol-su and Science and Technology Minister Kim Si- chung will represent the cabinet during the entire tour.

President Kim plans to visit the Philippines from Nov. 10-12, Indonesia from Nov. 12-16 and Australia from Nov. 16-19. The APEC Summit meeting will be held in the Indonesian city of Bogor on Nov. 15.

Besides the ministers, the senior officials accompanying the president on the full tour are Chairman of the Joint Chiefs of Staff Gen. Yi Yang-ho, chief secretary to the president of the ruling Democratic Liberal Party (DLP) Rep. Kang Chae-sop, chief of presidential security service Pak Sang-pom, senior presidential secretary for economic affairs Han Yi-hon, senior presidential secretary for foreign and national security affairs Chong Chong-uk, senior presidential press secretary Chu Tonsik, protocol chief of the Foreign Ministry Sin Tu-pyong and presidential secretary for protocol Kim Sok-u.

The director-general for Asian and Pacific Affairs of the Foreign Ministry, Yu Pyong-u, will accompany the president on his visits to the three countries but not to the APEC Summit.

South Korean Ambassador to the Philippines Yi Chang-su, Ambassador to Indonesia Kim Kyong-chol and Ambassador to Australia Kwon Pyong-hyon will guide the president in the countries where they are stationed.

Meanwhile, Yi Chang-chun, assistant minister for policy planning, will accompany the president to the APEC Summit.

Entry Into OECD Financial Committee Discussed

SK0711093294 Seoul YONHAP in English 0814 GMT 7 Nov 94

[FBIS Transcribed Text] Seoul, Nov. 7 (YONHAP)—The Organization for Economic Cooperation and Development (OECD) met unofficially in Paris Monday to discuss granting South Korea observer status in its Committee on Financial Market (CMF), a prerequisite to full membership, according to the Ministry of Finance.

The South Korean delegation headed by Assistant Vice Minister Sin Myong-ho briefed the meeting on Seoul's efforts to liberalize financial policy and its timetable for a foreign currency control system, including opening Korea's capital market to foreign nations, the ministry said.

Among the banking topics discussed at the meeting were government financing, insolvent debentures, liberalization of interest rates, currency controls, privatization plans and the structure of bank ownership.

Securities themes included a securities market stabilization fund, beneficiary certificates, limits on investment by foreigners and issuance by foreigners of Korean won bonds, the ministry said.

Other topics addressed during the meeting were restrictions on money transactions and revision of regulations on foreign exchange controls, it said.

Delivering a keynote speech on "South Korea's easing of financial regulations and money market opening," Assistant Vice Minister Sin stressed that Seoul will switch to an open market system in money controls, allow foreign organizations to issue won bonds, and introduce bonds through trust funds and country funds exclusively available to foreigners next year.

Sin also said the country will allow foreigners to invest in long-term, no-guarantee debentures.

The CMF functions as a key organ of the OECD to check domestic and international financial markets for the development of the foreign currency market.

Admission to the CMF as an observer is considered important to joining the OECD as a full member.

A decision on whether to grant South Korea observer status will be made by representatives of the OECD Board of Directors on the CMF's recommendation.

Mexico once failed to gain observer status in the CMF, according to the ministry.

South Korea has already joined three of the five OECD panels concerning banking and financing including the committees on capital movement and invisible transactions, on fiscal affairs, and on international investment and multinational enterprises.

The country is still applying to join the insurance panel and the Committee on Financial Market (CMF).

Russian Official: Yeltsin Hopes To Visit Seoul

SK0811070794 Seoul YONHAP in English 0608 GMT 8 Nov 94

[FBIS Transcribed Text] Seoul, Nov. 8 (YONHAP)—Russian President Boris Yeltsin would like to visit Seoul next year, the visiting chairman of the Russian Federation Council revealed Tuesday.

At a meeting Tuesday morning with South Korean President Kim Yong-sam at Chongwadae [presidential offices], Vladimir Shumeyko said Yeltsin considers Kim's visit to Moscow last June very meaningful and if circumstances permit, he hopes to come to Seoul in return.

Kim welcomed a future visit by Yeltsin to South Korea, Presidential spokesman Chu Ton-sik said.

Kim and Shumeyko also exchanged opinions on issues of common interest including promotion of bilateral relations.

Shumeyko, who is leading a delegation of Russian lawmakers and businessmen, arrived in Seoul Monday at the invitation of South Korean House speaker Hwang Nak-chu and will return to Moscow Wednesday.

Russian Legislative Delegation Arrives 6 Nov

SK0711072494 Seoul YONHAP in English 0713 GMT 7 Nov 94

[FBIS Transcribed Text] Seoul, Nov. 7 (YONHAP)—Russian lawmaker Vladimir Shumeiko, chairman of the Federation Council, arrived in Seoul Sunday on a three-day visit to discuss parliamentary exchanges and economic cooperation.

Shumeiko came with over 30 legislators and businessmen at the invitation of South Korean House Speaker Hwang Nak-chu.

His itinerary includes talks with Hwang Monday and a courtesy call on President Kim Yong-sam Tuesday.

South Korean officials said they hope to step up parliamentary exchanges through Shumeiko's visit and to catch up on a number of joint economic projects such as gas development and construction of a South Korean business complex in Nakhodka and a trade center in Moscow.

Seoul and Moscow normalized relations in September 1990.

DLP Head Meets SRV Communist Party Delegates

SK0811023294 Seoul YONHAP in English 0049 GMT 8 Nov 94

[FBIS Transcribed Text] Seoul, Nov. 8 (YONHAP)—Ruling Democratic Liberal Party (DLP) Chairman Kim Chong-pil received Hong Ha, head of the International Relations Commission of the Vietnamese Communist Party's Central Committee, Monday afternoon to discuss inter-party cooperation.

They also took up the issue of establishing an official relationship between the two ruling parties.

Kim said, "We know about the profound potential of Vietnam and we hope that bilateral exchange between South Korea and Vietnam will further increase."

Hong Ha voiced hope that his visit to South Korea will help promote friendship between the two peoples and contribute to stability in the Asia-Pacific region.

He was also hopeful that Kim would come to Vietnam at an appropriate time next year and asked him to convey a personal letter from Do Muoi, general secretary of the Vietnamese Communist Party, to DLP President Kim Yong-sam.

The Vietnamese delegation is scheduled to pay courtesy calls on senior government officials, including Prime Minister Yi Yong-tok and Foreign Minister Han Sung-chu, and tour major industrial facilities across the country.

The delegation leaves Korea on Nov. 12.

Trade Minister Meets With Hungarian Counterpart

SK0711064394 Seoul YONHAP in English 0632 GMT 7 Nov 94

[FBIS Transcribed Text] Seoul, Nov. 7 (YONHAP)—South Korean Trade, Industry and Energy Minister Kim Chol-su met with his Hungarian Counterpart Laszlo Pal at the Lotte Hotel in downtown Seoul Monday [7 November] to discuss promotion of bilateral trade and investment.

Kim requested that Hungary exempt South Korean goods whose quality and safety have already been checked by the European Union or international organizations from being subjected to additional inspection by Hungarian authorities.

Kim also asked the Hungarian Government to simplify visa issuance procedures for resident officials from South Korean trading companies.

Pal said he would give the requests favorable consideration.

The Hungarian trade chief, who arrived here Saturday, is scheduled to meet with Science and Technology Minister Kim Si-chung to discuss matters of mutual concern including expansion of South Korean investment in Hungary and creation of a joint committee on Science and Technology.

He will leave Seoul on Tuesday.

Promotional Information Center Opens in Bonn

SK0811025094 Seoul YONHAP in English 0232 GMT 8 Nov 94

[FBIS Transcribed Text] Berlin, Nov. 8 (YONHAP)—The South Korean Information Center opened Tuesday in Bonn to specialize and localize promotion of the country overseas.

At the opening ceremony attended by some 100 people including officials from the German Foreign and Information Ministries, South Korean Ambassador to Germany Kim Tae-chi said: "Germany was a model of economic development to South Korea and has drawn the keen interest of South Koreans by accomplishing reunification of the country. The Korean Information Center here will contribute to introducing South Korea broadly to Germans and to widening friendship and cooperation between the two countries."

Located in downtown Bonn, the center, the third after centers in Washington and Beijing, boasts such facilities as a library and audio-visual and projection rooms.

Embassy Press Secretary Son Wi-su was appointed as its first director.

Choe Announces More Supervision of Construction

SK0711061094 Seoul YONHAP in English 0556 GMT 7 Nov 94

[FBIS Transcribed Text] Seoul, Nov. 7 (YONHAP)—New Seoul Mayor Choe Pyong-yul announced Monday [7 November] that the city government will introduce a new supervisory system in all construction projects that calls for tougher supervision at each stage.

"Under the current construction system, we cannot prevent such faulty construction as the Songsu Bridge" which collapsed and claimed 32 lives last month, the mayor said at his first expanded staff meeting since being appointed to the post.

"We must introduce a supervisory system in which specialists, both from the city government and outside, take part in step-by-step supervisory work at construction sites," he said.

Choe instructed city officials to immediately stop work which has not been carried out in full compliance with specifications.

Pointing out that the capital city faces a period of change and transition next year, he said: "In preparation for the full-fledged local autonomy system, we should conduct special management checks on our 74 organizations including the main office."

To that end, the mayor instructed that professional management evaluation experts be asked to reexamine the manpower structure and division of labor of the city government.

"As the Songsu accident is being straightened out somewhat, we have to return everything to normal," Choe said.

Since assuming his new post, he has conducted two on-the-spot, midnight checks of overloaded vehicle controls on Seoul bridges. He found the controls to be useless despite the presence of adequate personnel, leading the mayor to assert, "that's an example of 'desk administration' and I will eliminate such aspects thoroughly afterward."

In particular, Choe emphasized that he would directly monitor safety questions on public facilities, though all issues are to be handled by the pertinent directors.

As to movement of the directors, he added, "I will conduct it without being tied down by regionalism, educational background and kinship as early as possible after grasping the whole situation."

More Reports on 12 Dec 1979 Incident Issue

Opposition Sends Letter to Kim

SK0711093194 Seoul YONHAP in English 0731 GMT 7 Nov 94

[FBIS Transcribed Text] Seoul, Nov. 7 (YONHAP)—The opposition Democratic Party (DP) has sent an open letter to Chongwadae [presidential offices] urging President Kim Yong-sam to indict those involved in the Dec. 12 "military rebellion" of 1979.

The letter in the name of DP leader Yi Ki-taek was delivered to chief presidential secretary Pak Kwan-yong, with the party demanding that the prosecution rescind the stay of indictment to prevent any recurrence of "such unhappy history as the Dec. 12 military revolt." Six DP lawmakers including supreme member Rep. Sin Sun-pom went to Chongwadae to deliver the missive.

"The president should make his own decision to correct this distorted history and to achieve true reform on that basis," the party asserted, adding that it will employ all available means to secure indictments.

It said the prosecution's decision acknowledges and forgives a "military coup d'etat," running counter to the popular consensus of establishing national justice through an historic liquidation of the military incident.

Opposition Boycotts Assembly

SK0811034994 Seoul THE KOREA HERALD in English 8 Nov 94 p 2

[FBIS Transcribed Text] The regular National Assembly session was stalled yesterday as opposition lawmakers boycotted it in protest over the government's stance on the Dec. 12 military incident in 1979.

They called for President Kim Yong-sam to press the prosecution to withdraw its early decision not to indict those involved in what it defined was the military revolt.

The boycott hamstrung the Assembly's plan to deliberate next year's budget and to put into operation its standing committees.

Chief negotiators of the ruling and opposition parties met yesterday to find a breakthrough for the normalization of the Assembly session, but failed to reach a compromise.

Accordingly, the Assembly session, which opened early September for a 100-day run, is expected to be adrift for the time being.

The main opposition Democratic Party (DP) held a joint meeting of party leaders and lawmakers and reaffirmed its stated position that "mutineers" behind the incident, including two former Presidents Chon Tu-hwan and No Tae-u, should be indicted.

The DP decided to step up its political offensive against the government by holding rallies at local chapters throughout the country to seek indictment of those involved in masterminding the military incident.

The party also plans to publish a special edition of the party paper demanding further judiciary action on the Dec. 12 incident, saying that it is an issue that should be cleared up historically.

Moreover, the party decided to deliver a resolution to President Kim urging him to indict those involved in the incident and to seek direct public support by holding a joint news conference with religious and dissident leaders and other interested parties.

If the DP's efforts fail, the party will call for the impeachment of Justice Minister Kim Tu-hui and Prosecutor-General Kim To-un, a party spokesman said.

DP Chairman Yi Ki-taek insisted that President Kim should rescind the prosecution's stay of indictment for the accused while stressing that his party will carry on even though it is being blamed for stalling the Assembly session.

But the ruling Democratic Liberal Party (DLP) slammed the DP's decision to stage a struggle outside the National Assembly over the Dec. 12 incident and urged it return to the Assembly immediately.

DLP spokesman Pak Pom-chin said after a party meeting of key post-holders that suspension of the Assembly cannot be justified, insisting that "it is contradictory for the DP to demand punishment of those involved in a past issue while calling for reconciliation with North Korean Communists who sacrificed millions of people by provoking the Korean War."

Pak added that it is unthinkable to have the Assembly adrift at a time when major national issues such as the 1995 budget bill and World Trade Organization (WTO) ratification have to be settled.

He charged that the opposition party's actions run counter to the people's desire for political maturity.

DLP floor leader Yi Han-tong said the party can't accept the opposition demand because the prosecution's decision should be respected.

DLP Views Organizers for 'Troubled' Districts

SK0711095494 Seoul YONHAP in English 0902 GMT 7 Nov 94

[FBIS Transcribed Text] Seoul, Nov. 7 (YONHAP)—The ruling Democratic Liberal Party (DLP) plans to announce next week four or five organizers for 11 troubled district chapters whose final selection has been withheld.

The government party is poised to announce four or five organizers whose appointment has been approved by Chongwadae, the presidential office, or on whose selection a consensus has been reached within the party, while putting off until next year the remainder, party officials said Monday.

The six or seven district chapters whose organizers have yet to be chosen are located in the Cholla Provinces, Taejon and Taegu, according to the sources. These are "vulnerable districts" where lawmakers running on the ruling party ticket are unlikely to win election.

The party has tried to find qualified candidate organizers for these district chapters based on freshness and their ability to collect votes, but to no avail, according to the sources.

As a result, the DLP has given up plans to announce all of the organizers for the 11 ailing district chapters, and opted instead for appointing only four or five of them next week.

Presidential secrertary for political affairs Kim Yong-chon is all but certain to be named organizer for Song-dong-C district chapter in Seoul, from whose chairmanship democratic faction adviser Pak Yong-man has resigned.

Pak's objection to Kim's appointment has reportedly been placated by DLP Secretary-General Rep. Mun Chong-su and chief planner Rep. Kang Sam-Chae.

Should Kim Yong-chon, who served as Korea University Student Council chairman and joined the Sangdo-tong team of DLP presidential candidate Kim Yong-sam prior to the 1992 presidential elections, be named Song-dong-C district organizer, the 34-year-old Kim would become the youngest organizer in the government party.

Kang Song-chae, who was forced to resign as chief secretery to the speaker and Songbuk-B district chapter chairman in Seoul because of the revised political party law, is almost certain to return to his former chapter as organizer.

For Kwanak-A district in Seoul, an opposition stronghold, Yi Sang-hyon, chairman of the Korea Society Research Institute, who ran unsuccessfully in the 13th and 14th general elections, has reportedly been designated as the organizer. Seoul city councillor Tak Hyong-chon has been informally selected as organizer for Yang-chon-B district in Seoul, according to the sources.

The ruling party has contacted former Vice Justice Minister Sin Kon for possible acceptance of the organizer's job for Tokjin district chapter in Chonju. Chances are high, however, that the post will go to former North Cholla provincial Governor Yi Kang-yon.

Mrs. Han Yong, chairman of the Kwangju Federation of Women's Associations, and Honam University professor Kuk Hyo-mun were considered prospective organizers for Puk-B district chapter in Kwangju, but a decision has been withheld due to local objections.

A decision has also been put off until next year on the organizer for Chunggu district chapter in Taejon, an independent stronghold, as Rep. Kang Chang-hui (IND.) and former South Chungchong provincial governor Sim Tae-pyong have both firmly declined party solicitation.

For Taegu Tong-B district chapter, which used to be chaired by former speaker Pak Chon-kyu, the only son of former President No Tae-u, No Chae-hyon, was once considered a possibility. But the idea has been dropped until next time, the sources said.

The government party has attempted to persuade Rep. Yi Chae-myong of the party elected on a national representation ticket to become organizer for Chunggu district chapter in Seoul, but Yi has adamantly refused. Several persons are now under consideration for the post including Seoul city councillor Kim Kil-won.

The ruling party has decided not to name an organizer for Myongju-Yangyang district chapter in Kwangwon Province, whose chairmanship was resigned by Kim Myong-yun, a close associate of President Kim Yong-sam, as the district has been dissolved under the latest administrative redistricting.

Minor Opposition Party's Factions Continue Feud

SK0811035094 Seoul THE KOREA HERALD in English 8 Nov 94 p 2

[By staff reporter Song Chong-tae]

[FBIS Transcribed Text] The internal feud of the minor opposition New People's Party (NPP), which seemed to have died down in the wake of the decision by the Central Election Management Committee (CEMC), is flaring up again between the rival factions.

As the prosecution concluded Saturday that a note allegedly exchanged between Rep. Kim Tong-kil, co-leader of the NPP, and Rep. Yang Sun-chik, his rival inside the party, is real one, the non-mainstream faction led by Yang is turning its offensive against the mainstream faction led by Kim.

The pro-Yang side, which had been on the defensive since the CEMC rejected Thursday an application submitted by them to register Rep. Pak Chan-chong as a sole leader of the party, is stepping up its offensive against the pro-Kim camp, claiming that Kim should keep his promise and resign from politics.

On the other hand, the pro-Kim side, which had been encouraged by the CEMC's decision and had expressed an intention to embrace his opponents within the party, is being discouraged at this time by the prosecution's conclusion.

The note, which was said to be signed by both Kim and Yang March 8, implies that Kim will become the party's candidate for the next presidential election, while Yang will take the party leadership.

The two sides had fought desperately over whether or not there existed such a note, since they clashed at the Oct. 10 party convention which was called unilaterally by the non-mainstream faction to select Pak as a sole leader of the party.

As the in-house feud deepened after the convention, Yang criticized Kim for breaking a promise between them, and he made public that there was a note containing information that they agreed to share the role as one for presidential candidate and the other for party leadership.

Respondings to criticisms by Yang, Kim alleged that the note was manipulated, saying that if the note made public by Yang is verified one, he will resign from politics.

Angered by Kim's remarks, Yang filed a complaint Oct. 17 with a court alleging that Kim slandered his reputation.

Kim will likely be dealt a harsh blow by the prosecution's conclusion, because his opponents inside the party are expected to press him to keep his promise with the people and resign from politics.

And if it is ruled out that he disgraced Yang's fame in advance, Kim will also be subject to legal action, according to law- enforcement officials.

In the meantime, Pak, who joined the non-mainstream faction and challenged Kim over party leadership, is said to be trying hard to recover his fallen fame.

Park seems to be attempting to escape from the debate over the struggle for party hegemony because he thinks that he will lose more as long as the battle with Kim continues, political analysts say.

Pak, who had recently been ranked number one in a popularity survey by some media toward politicians, has suffered from a steady decline in popularity since the violence-stricken party convention.

It will not be an easy task for Pak to overcome the political dent put on him despite of his efforts, a political analyst said.

Right after accepting the CEMC's decision, he said, "I will not attack the party leadership any more. I will contribute to the development of the NPP as a party member."

Prosecution Confiscates Illegal Software in Raid

SK0911022194 Seoul THE KOREA HERALD in English 9 Nov 94 p 3

[FBIS Transcribed Text] The Seoul prosecution has raided six universities and four business firms and confiscated illegal computer software that was being used by them.

A spokesman at the Seoul District Prosecutor's Office said yesterday that investigators raided the universities and companies last Friday, adding that chief computer system managers of the universities and companies will be subject to legal action for software theft.

The prosecution action came after ten computer software companies, including Microsoft and Symantec Corporation of the United States and Hangul & Computer Co. of Korea, filed legal proceedings for copyright infringement last Wednesday.

The universities the investigators raided included Ihwa Woman's, Sukmyong Women's, Yonsei, Tongdok Women's, Hongik and Kwangun universities in Seoul. The four companies found to have been using illegal software included Taehan Flour Mills Co. and Hanjoo Corporation. The prosecution investigators confiscated software samples, computer central processing system and related account books.

The illegal computer software being used included Norton Utilities of the Symantec Corporation and Hangul 2.1, a word processing software, made by Hangul & Computer Co., prosecutors said.

According to the Business Software Alliance (BSA), an organ which protects computer software of its U.S. member companies as intellectual property, software theft in Asia was responsible for almost $4 billion of the estimated $12.8 billion lost by the software industry worldwide as of 1993. The heaviest losses in Asia were, according to the BSA, in Japan where an estimated $2 billion were lost to software piracy. Losses in South Korea reached $646 million in 1993 while China was responsible for losses of $596 million and Taiwan $183.9 million.

The BSA's members include software producers Apple Computer, Autodesk, Aldus, Lotus Development, Microsoft and WordPerfect.

A BSA spokesman said that "time and again the BSA has warned that its members will resort to legal action if companies are discovered to be using unauthorized software.

"Unfortunately, many companies in Korea choose to break the law until they become the next subject of a BSA lawsuit," said the spokesman.

The BSA is currently investigating a number of companies as part of its campaign against software theft in Korea, the spokesman added.

Air Force To Transfer Air Traffic Control

SK0911021994 Seoul THE KOREA HERALD in English 9 Nov 94 p 3

[FBIS Transcribed Text] Beginning March 1 next year, rights to control air traffic in the country's flight information regions (FIR) will be transferred from the Air Force to the Ministry of Transportation (MOT).

At the same time, the Air Force will hand over 38 air traffic controllers at its seventh Air Traffic Control Center (ARTCC) and all facilities and equipments related to the air traffic control to the ministry effective the same date, a ministry spokesman said yesterday.

With the transfer of the rights, the ministry will be responsible for all air traffic control in the country like it is in almost all advanced foreign countries, a ministry spokesman said.

Currently, the ministry has limited power under which it can control air traffic related to arrivals and departures of civilian airplanes in addition to their approaches to airports in the country.

Quite a few foreign countries, including Argentina, Brazil and Chile, at present entrust the military with the power to control air traffic in the FIR.

Starting March 1 next year, accordingly, all domestic and foreign airplanes, regardless of being civilian or military ones, will have to follow the ministry's instructions when or while they enter the country's FIR set at 124 degrees east longitude and 37 degrees 10 minutes north latitude, except such extraordinary cases as in the case of a military operation, said the spokesman.

To effectively operate the air traffic control system, the ministry will create a new organization, tentatively named the "air traffic management center" with manpower comprising of 148 persons before March 1 next year.

Seoul To Allow Financing Companies' Conversion

SK0811035694 Seoul THE KOREA HERALD in English 8 Nov 94 p 8

[FBIS Transcribed Text] The government plans to permit the 15 remaining short-term financing companies to convert to other financial institutions next year.

Two options are being considered for conversion, officials from the Ministry of Finance said yesterday.

One option would permit the short-term financing companies to become banks, securities companies or merchant banking corporations as they wish, the official said.

Or, they would be permitted to become merchant banking corporations only as competition is less severe in merchant banking than in banking or securities business.

In 1972, the government permitted the creation of short-term financing companies in order to induce private money lending into institutional financing. Thirty-two short-term financing companies had been established by 1983.

They were allowed to issue their own promissory notes, discount and sell bills issued by other corporations, underwrite, discount and sell trade bills. Another main area of their business was to manage cash management accounts for their clients, which is similar to money market mutual funds.

Under its 1990 reorganization plan, the government permitted eight of the 16 Seoul-based short-term financing companies to become banks or securities companies in 1991.

Another nine of the 16 locally based companies were allowed to become merchant banking corporations this year, ahead of schedule.

The government's 1993-97 economic development plan envisions their enhanced mediation in the financial market in 1994-95 and their expansion into merchant banking in 1996-97.

Financial Institutions Start Universal Banking

SK0811040594 Seoul THE KOREA TIMES in English 8 Nov 94 p 9

[By staff reporter Yi Chang-sop]

[FBIS Transcribed Text] Financial institutions are prematurely starting up the universal banking services by housing different subsidiaries under the one roof although the government maintains its strict separation of banking, securities and insurance services.

The Samsung Group yesterday opened a financial center in the sprawling Kangnam area of southern Seoul. Its life insurance, non- life insurance, securities and credit card subsidiaries have opened branches or marketing centers in the 26-story building.

Samsung is not alone in providing the universal banking financial services. The Tongyang, Taesin and Sinhan Bank Groups house their financial subsidiaries in the same building.

Even foreign financial institutions such as Bankers Trust Company, Citi-corp. and Barclays are operating banking and securities units in the same buildings here.

They hope to maximize the synergetic effect and provide one-stop services to customers by housing the different units under one building.

This is putting a great pressure on the government which has long resisted the adoption of the universal banking system. Under the current Korean rule, no single financial institution is able to deal in both banking, securities, insurance and other financial services simultaneously.

But it is legal for such groups as Samsung, Tongyang, Taesin and Sinhan to house their different financial subsidiaries in one building and to provide integrated services to customers although personnel exchanges are prohibited.

These subsidiaries must also be run separately in respect of management, tax and accounting.

Samsung's recent grouping of its financial subsidiaries is the expression of its strong will to muscle into the financial services sector. It wants to become a financial conglomerate running banking, securities, insurance and other financial services, analysts said.

Other industrial giants such as Tongyang have a strong intention to expand their business territories into the financial sector. But the government is strictly prohibiting them from becoming financial conglomerates too.

From the viewpoint of customers, it is quite convenient to do one's financial business in one building but the government is reluctant to replace the current specialized banking system.

Although the universal banking system is the global trend, it might invite conflicts of interest, with different financial subsidiaries colluding with each other to deal in financial business only among themselves.

But Ministry of Finance officials say the government has been easing its strict segmentation of banking, securities and insurance sectors. They said following the global trend toward a universal banking system, the government is allowing banks, insurance and securities companies to gradually expand their business scope around their traditional roles.

They noted that as part of the government's steps toward a partial universal banking system, banks were allowed earlier this year to participate in government bond syndicates, a business which brokers had long monopolized.

Moreover, banks and insurance companies will be able to sell government and public bonds on a retail basis from next year. Bond retailing has also been long monopolized by securities companies.

* Aspects of Economic Outlook for 1995 Reported

Outline of Outlook

952C0004A Seoul SILMUL KYONGJE in Korean 14 Sep 94 p 16

[Published by the Korea Institute for Industrial Economics & Trade (KIET)]

[FBIS Translated Text] Our economy has been in a phase of brisk growth recently. It registered a growth rate of 8.5 percent in the first half of the year as against the corresponding period in 1993. Thanks to buoyant exports and domestic demand, industrial production and shipments of goods are showing an upward trend at the high growth rate of 10 percent. The production boom has led to a higher facility utility rate and near full employment, causing serious shortages of production capacity and labor in some sectors.

Expansion Into Next Year

The expansion phase will continue into next year. Although business investment will slow down for some reasons, exports will sustain its expansionary trend thanks to the recovery of the world economy, while private consumption will show a steady increase. This outlook is also supported by the fact that the average span from the peak to the bottom in the five recovery-expansion periods since the 1970's being 31 months, the trough in the current business cycle may be traced back to the first quarter of 1993.

Nevertheless, most probably there will be no overheating of the overall economy before next year. True, the economy is turning upward. But it is growing at a low rate compared with the periods of prosperity in the past, and considerable difficulties lie ahead at home and abroad. Therefore the growth rate of our economy is expected to increase 8.3 percent this year from 5.6 percent in 1993, and slightly fall back to 7.4 percent next year.

Inflation, Uneven Growth

Rising inflation will be the greatest obstacle to maintaining the growth momentum in the future. As of this past August, the rate of increase in consumer prices surpassed 6 percent, this year's target in holding down inflation. In addition, there are many factors tending to push up prices, such as the rising prices of imported raw materials, the influx of foreign capital, and the rising trend of consumption.

The growth gap between different sectors still remains unresolved. The high growth rate in the first half of the year was mainly attributable to the service and manufacturing sectors, particularly the two-digit growth in the heavy and chemical industries. On the contrary, the growth rate in the light-industry sector stayed at a low rate of 2 percent in the first half of the year, making it impossible for the light-industry sector to pull out of the stagnation that had continued for more than five years. This cannot but be a considerable drag, even allowing for the need to revamp the industrial structure and the customary growth gap between different sectors in the recovery period.

The external conditions are also difficult. True, exports are surging thanks to the strong yen and the recovery in the economies of advanced countries. But imports have increased sharply, and this year's current account balance is expected to revert to the red ink. Nevertheless, it is feared that the black ink in the overall accounts generated by the increase in the inflow of foreign capital will tend to push up the value of the won, thereby hindering a sustained expansion of exports.

In addition to the difficulties in the domestic economy, the external conditions are expected to get worse in the future. The pace of recovery in advanced countries will accelerate, but the phenomenon of "three lows" [the low value of the dollar, low crude oil prices, and low interest rates] in our country that has contributed to the current recovery, is expected to diminish gradually because of the adverse effects of the strong yen, and the rising prices of imported raw materials, including oil prices and rising international interest rates.

All this suggests that the outlook for our domestic economy will be greatly influenced by the degree of inflation and the policy options our government will make to counter inflation. If inflation should gather momentum, it will lead to tight money, higher interest rates, and the stronger won. This will in turn impede business investment and exports, resulting in slower growth. Particularly the light-industry sector beset by low international competitiveness will be hit relatively hard compared with other sectors.

Growth Outlook

952C0004B Seoul SILMUL KYONGJE in Korean 14 Sep 94 pp 17-18

[FBIS Translated Text]

Growth: 8.3 Percent in 1994, 7.4 Percent in 1995

The overall expansion of the domestic economy is expected to continue through next year. But the pace of growth will slow down somewhat beginning the second half of the year, and the annual growth rate this year will rise to 8.3 percent from last year's 5.6 percent before falling slightly to 7.4 percent next year.

The domestic economy entered a full-fledged recovery phase in the second half of last year after hitting the bottom in the first half. Early this year, the economy began to show buoyancy with an upward trend in business investment and exports. The GNP grew by 8.9 percent in the first quarter and 8.1 percent in the second quarter, a level of growth higher than expected. Particularly, beginning in the second quarter, the growth trend became widespread. Thanks to the strong yen and the economic recovery in advanced countries, in addition to the steady recovery in business investment in the country, the pace of increase in exports accelerated and private consumption showed signs of full recovery. As a consequence, two-digit increases were recorded in industrial production and the shipment of goods; and the facility utility rate in the manufacturing sector also remained at the high level of 80 percent.

There has been a bright side to some sectors and a down side to other sectors. The growth rate in manufacturing and service sectors has exceeded 10 percent, whereas the agricultural, forestry, and mining sectors still remain at a low growth rate, and growth in the private construction sector has slackened somewhat. In the manufacturing sector, the growth rate of light industry remained at the low level of 3 percent until recently. Thus the growth gap between different industries remains unresolved.

With exports continuing to increase fast, and private consumption rising in the second half, the brisk pace of growth is expected to continue. But fixed investment in plants and equipment in the private sector, which has shown a sharply rising trend thus far, is expected to slow down moderately before reaching a stable level, while the increase in capital investment offsets the slump in capital investment that had lasted until late last year. As a result, the real GNP growth rate in the second half of the year will be slightly below the 8.5 percent in the first half, but remain at the relatively high level of 8.1 percent, resulting in the annual GNP growth rate of 8.3 percent this year.

Outlook for Domestic Economic Growth

(Unit: as % change from corresponding period of preceding year)

	1993	1994			1995
		First Half	Second Half	Annual	
Real GNP growth rate	5.6	8.5	8.1	8.3	7.4
(Growth rate, manufacturing)	(5.0)	(10.0)	(9.4)	(9.7)	(8.5)
Final consumer spending	5.3	6.7	7.4	7.1	7.3
(Private consumption)	(5.7)	(7.2)	(7.6)	(7.4)	(7.5)
Total capital formation	0.6	18.2	11.5	14.4	7.1
(Equipment investment)	(0.2)	(17.7)	(9.3)	(13.3)	(6.4)
(Investment in construction)	(5.8)	(5.3)	(8.4)	(7.0)	(7.5)
Exports of goods, services	11.2	13.5	14.7	14.2	10.6
Imports of goods, services	6.7	18.0	17.2	17.6	9.6

Inflation, Major Obstacle to Sustained Growth

The growth rate is expected to fall to 7.4 percent next year. The pace of increase in investment that has spurred business activity up until now is expected to slow down, and exports are also expected to slacken because the adverse effects of the stronger won begin to manifest themselves with the gradual diminution of the favorable effects of the strong yen.

Inflationary pressures which have persisted since early this year are expected to continue into next year, and this can be another factor that will cause a slowdown in economic growth. The tightening up of price stability measures will lead to higher interest rates and the stronger won, and probably have an adverse effect on the effort to maintain a sustained increase in investment and exports.

However, the growth rate next year will stay at the high level of 7 percent, although a little lower than the previous level. Next year the rate of increase in investment and exports is expected to slacken, but the volume of investment and exports will continue to increase at a steady level while private consumption continues to grow at the high level of 7.5 percent. Thus investment, exports, and private consumption will contribute to the economic growth in the coming year.

Outlook for Consumption

952C0004C Seoul SILMUL KYONGJE in Korean 14 Sep 94 p 19

[FBIS Translated Text]

Consumption To Increase Faster

Consumption spending, which increased at the stable rate of 5 percent last year, accelerated to 6.7 percent in the first half of this year, and is expected to continue to grow at the stable rate of 7.4 percent in the second half of this year and 7.3 percent next year.

Consumption in the government sector has remained at the relatively low level of 4 percent so far this year, whereas the pace of increase in private consumption is becoming more and more conspicuous.

Private consumption increased 5.7 percent last year and 6.8 percent in the first quarter of the year, and the pace of increase is expected to accelerate to 7.6 percent in the second quarter. The revival of the propensity may be responsible for the rapid pace of growth in private consumption. The consumption propensity has revived since early this year thanks to the economic recovery and the relaxation of anticorruption audit and inspection activities after diminishing last year because of the economic slump, the government's tough anticorruption audit and inspection activities, and the enforcement of the use of real names in financial transactions.

As a result, the purchase of durable goods such as passenger cars and personal computers, as well as spending on services, such as entertainment and travel overseas, is increasing rapidly after being put off last year. Particularly, the import of high-grade consumer goods is rising sharply.

The purchase of durable goods increased by 8.5 percent last year, and the rate of increase rose to 9.6 percent in the first quarter of this year and soared to 12.1 percent in the second quarter.

Imports of High-Grade Consumption Goods Rise Sharply

Meanwhile, spending on services has risen at a fast pace, with spending on entertainment and travel abroad leading the list. The rate of increase was 7.8 percent in the first quarter and 7.5 percent in the second quarter, far exceeding last year's 6.1 percent increase. The rate of increase in the importation of consumer goods (excluding food grains) jumped to 22.8 percent in the January-July period this year from 5.5 percent last year. Particularly, the increase in the import of high-grade consumer goods, such as refrigerators, washing machines, and passenger cars, has become all the more brisk.

Private consumption will continue its upward trend and is expected to increase 7.6 percent in the second half of this year and 7.5 percent next year.

This prospect is based on the assumption that the improved economic condition will lead to a higher rate of increase in wages, and this, together with the improving stock market, will lead to a further rise in consumption. The consumption propensity among people in the higher income brackets, spurred by the relaxation of anticorruption audit and inspection activities and the stabilization of the real-name financial transaction system, is expected to continue to grow fast. Im addition, with housing construction expected to take an upturn beginning in the second half of the year, there is a great possibility that the consumption of durable home appliances will gather momentum.

Investment Outlook

952C0004D Seoul SILMUL KYONGJE in Korean 14 Sep 94 pp 20

[FBIS Translated Text]

Plant Investment To Slow Down but Bolster Growth

Rapidly increasing private investment in plants and equipment since early this year has been the major driving force for economic growth, but the pace of increase is expected to slow down somewhat in the future. Nevertheless the increasing trend will continue into next year, bolstering economic growth.

Business investment in plants and equipment had been on a downward trend from the second half of 1992 through the first half of 1993, acting as a major cause for the economic recession. But the downward trend reversed beginning in the first half of 1993, and since then fixed capital investment has been increasing sharply. The rate of year-to-year increase in fixed capital investment in the national income account rose from minus 6.5 percent to plus 7.2 percent in the first half of 1993 and soared to 17.7 percent in the first half of 1994.

The rapid increase in investment may be attributed to the following fact: That the economic outlook has turned brighter as evident in the steady expansion of exports and domestic demand; and that enterprises' willingness to invest has clearly revived as the government made visible efforts to improve the investment climate in line with the consensus forged on the need to strengthen competitiveness.

The favorable investment climate will continue into next year on the whole partly because the expansionary phase of the domestic economy is expected to continue and partly because there will be a sustained need for investment in the booming heavy and chemical industries. The volume of domestic orders for machinery and the amount of permits for machinery imports from January through July this year increased 30 percent and 60 percent, respectively, over the corresponding period of 1993.

However, the rate of increase in plant and equipment investment is expected to fall. The following is the basis for this outlook: The investment shortage in the recession phase has been filled up to some extent by the current sharp increase in investment; there is bound to be a limit to the increasing trend of investment in view of the role investment has played as a leading indicator, as well as in view of the slowing pace of exports; and the high percentage of increase in the first half of this year was somewhat exaggerated in contrast to the extremely sluggish pace of investment in the first half of 1993.

The light-industry sector, which has not yet entered a full-fledged recovery phase, is considered another limiting factor in maintaining a sustained rapid pace of increase in investment.

By all indications, the rate of increase in plant and equipment investment is expected to soar to 13.3 percent this year from last year's 0.2 percent before falling to the 7 percent level next year.

Social Overhead Investment To Lead Construction

Still sluggish investment in the construction sector will quicken its pace of recovery, with the rate of increase expected to rise from 5.8 percent last year to 7 percent this year and 7.5 percent next year.

Of the total investment in the construction sector in the first half of the year, social overhead capital investment—such as highway construction necessary to strengthen competitiveness—and investment in the construction of industrial buildings began to gather momentum, whereas investment in housing and commercial construction remained flat, unable to show a clear phase of recovery. The volume of domestic investment in construction increased by 19.3 percent last year, but the rate of increase dropped to 13 percent in the January-July period of this year. The total floor space covered by building permits decreased by more than 15 percent whereas the floor space covered by industrial building permits increased by about 10 percent reflecting the boom in the manufacturing sector.

Investment in construction projects is not expected to show a marked increase in the future. However, the rate of increase could rise as the construction of industrial buildings and apartments gains momentum while investment in social overhead capital continues to increase steadily.

Imports, Exports, Balance of Payments

952C0004E Seoul SILMUL KYONGJE in Korean 14 Sep 94 pp 21-22

[FBIS Translated Text]

World Economic Recovery, Strong Yen Spurring Exports

Exports were steadily on the rise late last year, and the pace of increase has been quickening this year. In the first half of this year exports registered a 12.6 percent increase, and despite the labor disputes in large corporations, the rate of increase further gained in July and August. The volume of exports (on the customs clearance basis) is expected to increase 13.6 percent to $49.2 billion in the second half of the year. As a result, for the entire year of 1994, the volume of exports will increase 13.1 percent to $93 billion.

Exports, which began to increase thanks to the economic recovery in industrialized countries, have greatly contributed to invigorating our domestic economy while continuing to register a two-digit rate of increase. Not only the total volume of exports but also the export of high-grade goods is increasing. The main export items are shifting from light-industry goods to products of the heavy and chemical industries, from finished products to parts and industrial materials, from simple processing and assembly to high-tech products.

Among the favorable export items this year, the annual volume of semiconductor exports is expected to exceed $10 billion, and the rate of increase in car exports and shipbuilding has been steadily growing. Thanks to the economic growth in the least developed among developing countries, exports of general machinery led by plant and equipment exports are increasing at the rate of more than 20 percent, and textile and other light-industry sectors producing industrial materials are buoyant. The exportation of steel and petroleum products, however, has been in the minus territory while that of light-industry products has been flat on the whole because of the quickening pace of recovery in the domestic economy.

Exports To Increase 10 Percent in 1995

The world economy continues to be buoyant, but it is feared that the effects of the strong yen will disappear by next year whereas the appreciation of the won will continue. However, inasmuch as our exports are principally related to the business conditions in advanced countries, exports will continue to maintain their brisk pace of growth at the 10 percent level next year, with a high rate of growth expected in both advanced and developing countries.

Exports to the United States, the leading market, is expected to increase by 8.5 percent this year, but the rate of increase will stabilize at 6.5 percent next year.

Exports to Japan are expected to increase 15.4 percent this year and about 12.4 percent next year. Exports to the EU are expected to increase at the same pace as this year. Exports to the ASEAN and Chinese markets are expected to increase by 20 percent or so, and the overall rate of increase in exports to developing countries as a whole is expected to reach about 16 percent.

Pace of Import To Slow Down in 1994

With the revival of the domestic economy, imports have been increasing by a large margin this year. The rising trend of imports is far surpassing the increasing trend of exports because of the sharp increase in the import of capital goods needed in equipment investment.

On the customs clearance basis, imports in the first half of this year increased 14.5 percent to $47.3 billion. The pace of increase accelerated in July and August with the increase in the number of import approvals. In the second half of the year the rate of increase is expected to rise to 16.9 percent. As a result, imports in all of 1994 are expected to increase 15.8 percent to $97 billion. Inasmuch as the bulk of imports is for reexportation, imports are to increase at a faster pace when exports become brisker. As private equipment investment, which was put off previously due to the recession, rose sharply with the recovery of activity in the domestic economy, the volume of imports as a whole has been increasing at a much faster pace than expected. However, in 1995 the boom in equipment investment is expected to subside somewhat and the domestic economy to enter the phase of stable growth. Accordingly, the trend of increasing imports will slow down somewhat and the volume of imports during 1995 are expected to increase 8 percent to $104.8 billion.

By item, the rate of increase in the importation of general machinery is expected to drop to 15 percent next year from the estimated rate of 23.3 percent for this year; the rate of increase in the importation of electronic products will stay at 12.5 percent next year after falling from this year's 22.3 percent increase; and the importation of steel, which increased by 25 percent this year thanks to the increase in domestic demand, will slow down with the rate of increase expected to drop by about 5 percent.

Current Account To Balance in 1995

The trade imbalance already reached $1.6 billion in the first half of this year. The deficit in the visible trade account continued to increase in July and August after showing a surplus in June. The rate of increase in exports is expected to surpass the rate of increase in imports in the fourth quarter, but not enough to offset the deficit in the January-August period. As a result, a deficit of about $400 million will be unavoidable in the trade account.

However, the visible trade account is expected to go into the black in 1995 as the trend of increasing imports slows down somewhat. The gap between exports and imports on the customs clearance basis is expected to end up producing a deficit of $2.5 billion, but the nation can expect a trade surplus of $1.8 billion on the balance of payments account.

A glance at the trends in the international payments accounts in the past several years reveals that visible trade balance tended to drop sharply each year while invisible trade balance showed a a chronic deficit. Last year invisible trade balance showed a deficit of $2.3 billion by exceeding the surplus which was attained after a long interval, thereby threatening to turn the current account balance into the red. However, a transfer account surplus of $700 million was barely enough to turn the current account balance into the black.

The deficit in the invisible trade account is mainly due to the continuing deficit in the international trade account resulting from the increasing amount of travel overseas and the persistent deficit in the transportation service account. The current account is expected to show a deficit of $2.5 billion this year due to a slightly larger deficit on the invisible trade account than last year.

However, the current account is expected to be balanced next year as the trend of increasing imports subsides.

Price, Employment

952C0004F Seoul SILMUL KYONGJE in Korean 14 Sep 94 pp 23-24

[FBIS Translated Text]

Consumer Prices To Rise 6.2 Percent in 1994, 5.8 Percent in 1995

Consumer prices increased 4.3 percent in the first half of 1994 over the price level at the end of 1993, and are expected to increase by 1.9 percent in the second half of 1994. As a result, the 1994 annual rate of increase in consumer prices will reach 6.2 percent, slightly higher than the 6 percent goal set by the government in its anti-inflation strategy. Next year the inflation rate is expected to decrease to 5.8 percent.

The rising trend of prices has strengthened this year with the upturn of the economy. Consumer prices jumped in the first quarter of the year, rose marginally in April and May, and then rapidly soared at the monthly rate of increase of 0.7 percent in June, 0.9 percent in July, and 0.8 percent in August over each preceding month. The recent rise in consumer prices is chiefly due to factors on the supply side. To be more specific, the prices of agricultural and livestock products have soared due to the drought, and the operating costs of enterprises have increased as a result of the rise in the prices of crude oil, copper, and other raw materials in the international markets.

The pressure for higher prices from the supply side is unlikely to ease for the time being, causing a further rise in prices in the second half of the year, contrary to the past pattern in which prices tended to stabilize in the second half of each year. One reason is that although the damage from the drought lessened somewhat, a poorer than usual harvest of farm crops is expected for this year, making it difficult to curb the trend of rising farm prices. Another reason is that the prices of crude oil and other primary products on the international markets are expected to keep on rising. In addition, pressures tending to push up prices not only on the supply side, but also on the demand side, are expected to increase in the second half of the year because private consumption is slowly recovering from last year's contraction in keeping with improvements in business activity, and because people in the higher income brackets are consuming more and more high-grade consumption goods.

If the influx of foreign capital should gain momentum in the second half of the year, it will push up prices through increased currency issues.

The prices of farm products, which have been the major contributory force in pushing up commodity prices on the supply side this year, are expected to become stabilized next year. However, the international market prices of primary products are expected to maintain their upward trend, tending to push up prices on the demand side. As a result, 1995 is expected to see an approximately 5.8 percent price increase under continuing pressures for higher consumer prices.

On the other hand, the inflation rate in producer prices is expected to rise to 3.1 percent this year from last year's 2 percent due to the rise in the international market prices of primary products. The inflation rate is expected to remain at the relatively high level of 2.9 percent in 1995.

Employment Situation Tends To Improve

The unemployment rate dropped to 2.5 percent in the first half of 1994 from 2.8 percent in 1993, and the employment situation will continue to improve, with the unemployment rate expected to fall to 2.3 percent in the second half of 1994 through the following year.

With the recovery of business activity since early this year, the employment situation has been improving rapidly as the demand for labor in enterprises increased sharply by keeping pace with the expansion of equipment investment in enterprises and the rise in the facility utility rate.

As a result, almost full employment has been attained with unemployment dropped to a seasonally adjusted rate of 2.4 percent in June and 2.3 percent in July this year. The falling trend in employment in the manufacturing sector, which began in the fourth quarter of 1991, has been reversed this year thanks to the boom in the heavy and chemical industries, in spite of the sluggish recovery of light industry.

With the drastic increase in enterprises' demands for labor, the labor shortage has increased, with the opening-to-application ratio far exceeding 2:1 this year as against 1.6:1 last year. Labor shortage, which was common mainly in the 3D sectors [industries requiring dirty, dangerous, and difficult work], has recently spread through the whole breadth of the electric and electronic industries. As a result, the manpower shortage in industry as a whole is expected to exceed 170,000 and push up the rate of labor shortage to 3.57 percent. The rate of shortage in the manufacturing sector in particular is as high as 4.27 percent.

The employment situation will continue to improve, with the unemployment rate expected to remain at the low level of approximately 2.3 percent, because light industry with great potential for absorbing unemployed labor is expected to recover as the economy continues to improve.

Currency, Interest, Exchange Rates

952C0004G Seoul SILMUL KYONGJE in Korean 14 Sep 95 pp 25-26

[FBIS Translated Text]

Flexible Currency Supply Anticipated in 1995

The rate of increase in money supply (on the basis of the average monthly balance) has been stabilizing approximately at the rate of 15 percent so far this year. With the government's goal of limiting the rate of increase in money supply set at the range of 14 to 17 percent, the actual increase in the currency volume falls within this range, and near the lower end of the target at that. The rate of increase in money supply has been able to stabilize within limits because the government took measures to tighten money supply in order to collect the currency issued in conjunction with the enforcement of the use of real name in financial transactions. Another reason is that there has been no particular surge in temporary demand for money as the cash position of enterprises has improved as a result of the gains in production and sales spurred by the business upturn. In addition, the sluggish capital inflow from overseas has also contributed to the stable level of increase in total money supply.

It may be said that the outlook for money supply will depend on how much weight the government will give to each of its policies on prices, interest rates, and exchange rates. Prices rose sharply beginning this June, and already in August the inflation rate hit 6 percent, this year's upper ceiling in keeping down price inflation. In view of existing inflationary pressures, the government is expected to strengthen its tight money policy with the highest priority on curbing inflation. However, if the inflow of foreign capital increases sharply with the upward adjustment of the limits to foreigners' investment in stocks scheduled for late this year, it will pose difficulty in currency management. The government is showing an attitude of overlooking the appreciation of the won in an earnest effort to prevent an influx of foreign capital from causing inflation. However, because there is a limit to the adverse effect the appreciation of the won will have on the trade balance, the government will have no choice but to be more flexible in money supply. Currently, commercial banks are hard-pressed by fund shortages under the government's tight-money policy, and this may touch off another vicious circle of increased temporary demand for business funds and higher interest rates charged by commercial banks. In this event, the government will have no choice but to be flexible in money supply in order to allay fears of rising interest rates.

All things considered, total money supply next year will increase slightly over this year.

Interest Rates To Stabilize at Lower Level

Interest rates remained stable at a lower level in the first half of the year. This was possible because demand for money in enterprises was not too great and because there was plenty of money supply in the market so that commercial banks even invested in securities. However, as prices soared beginning in June, the monetary authorities tightened the basic tone of its tight-money policy, and this began to destabilize interest rates. Particularly, following the shock caused by the new legal reserve requirement in early August, the open-market money supply situation became tight, although banks had cash surpluses. With this bias in the money supply, open-market interest rates exceeded 13 percent, the prevailing rate of earnings on the bond market, and call loan interest rates fluctuated irregularly. This erratic interest movement still continues.

However, interest rates are expected to regain their stability by and by. The expectation is based on the fact that the recent rise in interest rates was caused by factors on the currency supply side, such as the tightened currency management spurred by inflation, and not by increased demand for extra money to meet the increasing need for business funds; therefore, if the monetary authorities become somewhat more flexible in currency management, interest rates will be put back on the right track.

In addition, the government plans to raise the limit for foreigners' investment in stocks late this year, and offshore issues of securities are expected to increase. As a result, there will be a surplus of money supply in the market, putting downward pressures on interest rates. In addition, banking organizations are expected to have surplus funds as big corporations, which used to rely largely on bank loans in raising funds, gradually switch to direct financing, such as the issuance of stocks and bonds.

Appreciation of Won To Continue

This year the exchange rate for the won against the dollar continued to fall while going through fluctuations after briefly rising to the 813-won level in January. Particularly in late July, the falling trend quickened. As of 5 September, the exchange rate was 800.9 won to the dollar, and there is the imminent prospect of breaking through the 800-won mark.

The current appreciation of the won may be attributed to these factors: the improvement in the trade balance spurred by buoyant exports; the influx of foreign capital; the behavior of institutional players in the exchange market, such as enterprises and banks; and the government's stance of overlooking the appreciation of the won. Given these factors, it may be only a matter of time before the exchange rate will break through the watershed mark of 800 won to the dollar. The question is: How fast and how extensively will the appreciation of the won proceed? The view that the value of the won will continue to appreciate in the future is based on these assumptions:

First, the buoyancy of exports spurred by the recovery of the world economy and the strong yen will continue, resulting in a gradual improvement in the trade balance.

Second, the government plans to raise the limit for foreigners' investment in stocks from the current 10 percent to 13 percent in the second half of the year, and this will spur an influx of foreign capital.

Third, the behavior of institutional players in the exchange market, such as corporations and banks, can influence the movement of the exchange rate for the won, and if these players rush to purchase won and sell dollars believing that the appreciation of the won will continue, the pace of appreciation will accelerate beyond all expectations.

The fourth assumption involves the government's basic stance toward the implementation of its exchange policy. Currently, the government is somewhat overlooking the appreciation of the won, and even maintains an attitude of inducing the appreciation of the won. This stance of the government may be an inevitable choice, given the mounting pressures for the appreciation of the won from the influx of foreign currency. The government's willing submission to the appreciation of the won may stem from the judgment that our price competitiveness in exports has somewhat improved due to the strong yen, and that this is the time to take some measures to curb increasing inflationary pressures exerted by the effects of the drought, the rising international market prices of raw materials, and the strong yen.

Owing to these factors, the exchange rate for the won is expected to fall approximately to the level of 795 won to the dollar by the end of the year, and the falling trend will continue through the coming year, with the rate expected to drop to a level in the neighborhood of 785 won to the dollar.

Samsung Electronics To Take Over French Firm

SK0611052494 Seoul YONHAP in English 0516 GMT 6 Nov 94

[FBIS Transcribed Text] Seoul, Nov. 6 (YONHAP)—Samsung Electronics Co. announced Sunday [6 November] it would take over DMS of France at a cost of 523,000 U.S. dollars to strengthen its after-sales services in the European Union.

The French employees of the company having a 174-shop service network in France will be retained after the takeover, the announcement said.

Samsung Electronics France, Samsung's sales subsidiary in France, will oversee the management of DMS, it added.

Samsung Firm Develops Nonmemory Chip for DSP

SK0911022094 Seoul THE KOREA HERALD in English 9 Nov 94 p 8

[FBIS Transcribed Text] Samsung Electronics Co. has developed a nonmemory chip for digital signal process

(DSP), one of the core components of multimedia equipment, the company said yesterday.

The microprocessor, capable of compressing both moving and still pictures and then decoding them, is the highest-powered DSP chip ever developed in the world, the company claimed.

Dubbed as Videoflow, the new programmable semiconductor also meets all the international standards for digital signal process, it said.

Samsung has spent four years and some 6 billion won (about $75 million) developing the chip which is comprised of an image compression coder (ICC) and a motion estimation coder (MEC).

The nation's largest electronics maker plans to mass produce DSP chips starting early next year.

The DSP chip is expected to be widely used in CD-ROMs, high-definition TVs, video-conferencing equipment and a variety of image processing machines, the company said.

Burma

British Foreign Office Official Visits

BK0911074694 London BBC in Burmese to Burma 1345 GMT 8 Nov 94

[FBIS Translated Text] Dear listeners: A senior British Foreign Office official is in Rangoon today for talks with the Burmese military government. The trip by British under secretary of state, Mr. David Dain, marks the first visit to Burma by a high-ranking British official since the elections held four years ago. Although Aung San Suu Kyi's NLD [National League for Democracy] party won the elections with over 80 percent of the vote, the results were ignored by the Burmese military government. Larry Jagan compiled this report on Mr. Dain's visit:

David Dain is the under secretary of state for South Asia and Southeast Asia. According to British authorities, Mr. Dain's trip was arranged following some encouraging signs, including a meeting between the Burmese military government and opposition leader Daw Aung San Suu Kyi. According to the Foreign Office, Mr. Dain's trip is aimed at helping Britain determine if there has been any progress regarding human rights, democracy, and economic reform in Burma.

The British diplomat will also express the British Government's continuing concern about human rights and democracy and urge the Burmese military leaders to release Daw Aung San Suu Kyi as soon as possible and allow her to participate in the future politics of the country. He is also expected to raise the issue of the use of forced labor with the Burmese authorities. Britain, along with the European Union, has objected to the recent detention of political dissidents. Mr. Dain is expected to tell the Burmese military authorities that imposing harsh sentences on dissidents could raise doubts about the Burmese Government's claim of moving toward the emergence of a democratic constitution. He is expected to express the British belief that the voices of all Burmese groups, including the opposition as well as national groups, should be included in the process of drafting the country's new constitution.

Mr. Dain's trip reflects British support for the EU's policy of holding dialogue with the Burmese military authorities. This trip closely follows last month's trip to Burma by Mr. Thomas Hubbard, the U.S. deputy assistant secretary of state for East Asia. According to observers, many Western countries are coming around to thinking that the isolation of Burma has not actually brought about the desired improvements in democratic reforms and human rights. Many Western governments believe that the policy actually pushed Burma closer to China. What is more significant is that foreign businessmen, who are beginning to realize Burma's huge economic potential, are pressuring their respective governments to review their policies toward Burma with the hope of investing in Burma's economic opportunities.

Khin Nyunt Visits Township, Views PRC Trade

BK0911120994 Rangoon TV Myanmar Network in Burmese 1330 GMT 8 Nov 94

[FBIS Translated Excerpt] Lieutenant General Khin Nyunt, chairman of the Work Committee for the Development of Border Areas and National Races and secretary-1 of the State Law and Order Restoration Council [SLORC], along with ministers and an entourage, left Myitkyina in Kachin State by military aircraft on the morning of 7 November and arrived at Lashio in Shan State at 0945. They were welcomed at Lashio Airport by Colonel Thein Aung, principal of the Defense Services Staff College; Lieutenant Colonel Aung Kyi, acting tactical commander; military and civil officials; and Union Solidarity and Development Association [USDA] members.

The secretary-1, ministers, and party proceeded to Kyu-Hkok Panghsai by helicopter and were welcomed by Tactical commander Col. Chit Khaing; Lt. Col. Aung Thein, chairman of the Lashio District Law and Order Restoration Council; township law and order restoration council members; departmental personnel; USDA members; and the local populace. The secretary-1, ministers, and party next attended the inauguration of the Kyu-Hkok Panghsai Motel.

After the ceremony the secretary-1 and delegation departed Kyu-Hkok by car and arrived at Mong Yu village in Mu-se Township at 1300. [passage omitted]

Next, SLORC Secretary-1 Lt. Gen. Khin Nyunt met with departmental personnel at the Mu-se City Hall. Khin Nyunt explained that his delegation's visit to Mu-se is intended to give the necessary assistance. He said that just as goods from the PRC have been traded and distributed throughout the country through the Myanmar [Burmese] border towns of Mu-se, Namhkam, and Kyu-Hkok, so Myanmar products have been exported and traded through these three towns to the PRC. He noted that border trade activities were implemented for bilateral economic cooperation between Myanmar and the PRC and for the benefit of local entrepreneurs. Khin Nyunt urged merchants and entrepreneurs engaging in economic activities to act reasonably for the benefit of the state and the national races. He noted that the state government is striving to establish an economic and trade zone in Mu-se for the progress of border towns and the economic development of the local populace.

The secretary-1 remarked that plans are underway to allot plots of land to traders and entrepreneurs for investment in Myanmar. Khin Nyunt explained the Nanbaw Creek Hydroelectric Power Project will be implemented in the near future to ensure a 24-hour electricity supply to Mu-se, Namhkam, and Kyu-Hkok. The regional authorities will have to coordinate on the proportion of project expenses to be covered by the local people. He said that cottage industries will flourish and the region will develop only if there is an adequate supply of electricity. He noted that because visitors from the country on the other side will be allowed to stay overnight in Myanmar, all responsible personnel should supervise and act accordingly to ensure the smoothness of these visits.

Khin Nyunt explained that if local traders and entrepreneurs wish to open hotels, motels, and inns in the Mu-se Economic and Trade Zone they can do so in accordance with the regulations described by the Ministry of Hotels and Tourism. Finally, the secretary-1 said that because the state government is helping to coordinate with entrepreneurs in developing their enterprises, entrepreneurs, traders, and civil service personnel should carry out their activities appropriately without hindering the interests of the state and the national races. [passage omitted]

Brunei, Malaysia & Singapore

Malaysia

U.S. Move To Lift Arms Ban on Bosnia Backed

BK0911083594 Kuala Lumpur Voice of Malaysia in English 0600 GMT 9 Nov 94

[FBIS Transcribed Text] Malaysia, backing initiatives by the United States to lift the arms embargo on Bosnia-Herzegovina, has called on all members of the United Nations Security Council [UNSC] to support the move. He said the council could not remain oblivious denying the Bosnians their inherent right to self-defense, which is enjoyed universally by all other members of the world body. Malaysia's ambassador to the UN, Tan Sri Razali Ismail, said no one could dispute that the arms embargo in reality had only affected the Bosnians, the victims of the war. He said this at the council's debate in New York on the U.S. resolution to lift the arms embargo on Bosnia.

Canadian Foreign Minister on Official Visit

Mahathir, Ouellet Hold Talks

BK0811141394 Kuala Lumpur Radio Malaysia Network in Malay 1300 GMT 8 Nov 94

[FBIS Translated Text] Canadian companies are interested in setting up joint ventures with Malaysian firms to undertake projects in third countries. Canadian Foreign Minister Andre Ouellet said his country has technology that can be exported to Malaysia and is willing to so in numerous fields, particularly in the environment and energy.

He said this to reporters after calling on Prime Minister Datuk Sri Dr. Mahathir Mohamed. Mr. Ouellet said he and Dr. Mahathir discussed the possibility of Canada and Malaysia becoming close partners in various projects.

Mr. Ouellet arrived earlier today on a two-day visit along with a five-member delegation, including his wife Edith. He leaves for Jakarta tomorrow to attend the informal leaders meeting of the Asia-Pacific Economic Cooperation, or APEC. He said he was impressed with the rapid development and changes in the Malaysian economy.

Supports Effort To Launch EAEC

BK0911065894 Kuala Lumpur Voice of Malaysia in English 0600 GMT 9 Nov 94

[FBIS Transcribed Text] Canada agreed with ASEAN's objective on the need to launch the East Asia Economic Caucus, EAEC. Its foreign minister Andre Ouellet said Canada did not see the EAEC as an impediment for greater trade exchange with other countries outside the region. Canada in fact wants to be closely associated with the evolution taking place in the region. He told reporters this after meeting Malaysian International Trade and Industry Minister Datuk Sri Rafidah Aziz at her office in Kuala Lumpur.

Asked whether Canada would support Malaysia in promoting the idea to other countries, Ouellet said that position belonged to the countries of the region and was not one for Canada to be involved in.

West Urged To Learn From PRC on World Influence

BK0911032094 Kuala Lumpur NEW STRAITS TIMES in English 7 Nov 94 p 1

[By Jeffrey Ramayah]

[FBIS Transcribed Excerpt] Kuala Lumpur, Sun.—The West should learn from China that being strong militarily does not mean that a country should attempt to subvert, subjugate, or colonise other nations, Deputy Prime Minister Datuk Sri Anwar Ibrahim said today.

He said although China had the military strength and sent its armada to Southeast Asia centuries ago, recalling the great travel of Chinese Muslim Admiral Zheng He (Cheng Ho), it made no attempt to colonise this part of the world.

In that sense, said Anwar at the opening of the Islamic Frontiers of China exhibition at Museum Negara today, the relations between Malaysia and China were unique adding that China had always been an extremely powerful neighbour but did not in any way try to subvert or colonise this country.

Anwar, who spoke passionately about his successful visit to China in August, reiterated the sentiments that relations between the two countries should be extended beyond trade. He said such areas as history, culture, and religion should also be explored because China had a lot to offer by way of heritage and ancient wisdom.

Anwar, who is also finance minister, said there was a lot more to be learnt about China and it could be a mistake to treat the country merely as a huge market for consumer goods. He said today's China is still relatively unknown to Malaysia other than the trade contacts.

"During my breakfast meeting with former U.S. Secretary of State Dr. Henry Kissinger this morning, he told me that China was still an alien and unchartered territory," he said.

Anwar said Malaysia could learn from China's vast experience and rich cultural heritage. He said China had a very important cultural legacy that Malaysia could benefit from. [passage omitted]

Singapore

PRC President on APEC Liberalization Deadline

BK0911114594 Singapore Singapore Broadcasting Corporation in English 1100 GMT 9 Nov 94

[FBIS Transcribed Text] China's President Jiang Zemin, now in Singapore, has held talks with Prime Minister Goh Chok Tong. Bilateral relations and regional and international issues of mutual concern were discussed during the meeting. President Jiang and Mr. Goh also briefed each other on economic cooperation projects in China. Matters relating to the Asia-Pacific Economic Cooperation [APEC] forum were also on the agenda.

During the talks, President Jiang was reported to have agreed to discuss a possible deadline for free trade in APEC. A Chinese spokesman said the timetable should be flexible and based on consensus. Mr. Jiang said consensus was necessary because APEC members are at different stages of economic development. Free trade should be a long-term goal. But the Chinese leader added that members should agree on the implications and fundamental principles behind free trade.

President Jiang was earlier given a ceremonial welcome by President Ong Teng Cheong at the Istana [state palace]. President Jiang then called on Mr. Ong before holding talks with the prime minister. Tonight, President Ong will host a state banquet in honor of President Jiang.

Cambodia

Leaders Lay Wreaths on Independence Day

BK0911065394 Phnom Penh National Radio of Cambodia Network in Cambodian 0200 GMT 9 Nov 94

[FBIS Translated Text] On the occasion of the 41st anniversary of national independence day, 9 November, the Committee for National and Foreign Festivals organized a solemn ceremony this morning to light the victory candle and lay wreaths at the Independence Monument in memory of the deeds of those combatants and ancestors who have sacrificed their lives for the nation and the people.

Beginning at 0630 this morning, officials and employees of various ministries and services led by their respective heads arrived and laid wreaths at the monument. At 0745 the leadership arrived, including His Excellency [H.E.] Loy Simchheang, the acting head of state; First Prime Minister Prince Krompreah Norodom Ranariddh and Princess Marie Ranariddh; Second Prime Minister Samdech Hun Sen and his wife; their excellencies the samdech advisers to the king; their excellencies the deputy prime ministers, state ministers, ministers, state secretaries, under state secretaries, and members of the Royal Government and the National Assembly; and foreign diplomats accredited to the Kingdom of Cambodia. They paid tribute at the Independence Monument.

After 41 monks recited prayers and gave blessings, H.E. Loy Simchheang, the acting head of state, lighted the victory candle. Afterward, the leadership offered gifts to the monks. At the same time balloons and pigeons were released to symbolize peace.

Hun Sen Speaks on Agricultural Development

BK0811130394 Phnom Penh National Radio of Cambodia Network in Cambodian 0200 GMT 8 Nov 94

[Speech by Second Prime Minister Hun Sen in Phnom Penh at 7 November ceremony to install Tav Senghuo as new agriculture minister—recorded]

[FBIS Translated Summary] "My respects to His Excellency [H.E.] Kong Sam-ol, deputy prime minister, minister of the royal palace, and outgoing minister of agriculture; to H.E. Tav Senghuo, incoming minister of agriculture, and H.E. Chhea Song, newly appointed state secretary of agriculture; to all ministers and state secretaries present on this occasion as guests of honor; and to all officials in the Ministry of Agriculture as well as foreign invitees attending this ceremony.

"I would like to thank H.E. Kong Sam-ol for his great activities over the past decade in his capacity as deputy agriculture minister, agriculture minister, my adviser in charge of agriculture, deputy prime minister in charge of agriculture, and current promoter of the agricultural sector.

"It is still fresh in my memory that I had great difficulties discharging my duties as prime minister. The greatest difficulty besides implementing a program to increase production of food supplies for the people was encountered in a reform issue known as the restructuring of agriculture and land tenure. I have not forgotten that I was able to carry out this task thanks to the support and assistance of all our officials and civil servants, including, above all, H.E. Kong Sam-ol. It is not unusual that many countries who have attempted land reform have failed. For Cambodia, we cannot say that we have been completely successful, but neither have we failed.

"Now H.E. Kong Sam-ol has been removed from this job. I, however, would like to inform all of you, ladies and gentlemen, that the fundamental reason behind the removal of H.E. Kong Sam-ol involves a decision to choose between two posts. He is deputy prime minister and minister of the royal palace and, as you know, he also occupies a very busy post that provides relief to the people on a team known as the Samdech Euv group." Not wanting to take him away from His Majesty's service, and with his consent and understanding, we have allowed him to concentrate on his principal undertaking.

"I would like to inform you that, not only to provide additional assistance to the Agriculture Ministry, I am being forced by circumstances to take action again. I have taken a new position that has yet to be publicized as chairman of the Council for Agricultural and Rural Development [CARD]. I am not an agriculture expert, but I am vested with the scepter of full authority to make decisions with H.E. Tav Senghuo as vice chairman of the council. I have the power to appoint as its members only ministers from major ministries. All concerned institutions are held by ministers and people of authority. For example, the Ministry of Finance must send its minister to be a member because we will not accept a representative. If the council decides to buy rice, money must immediately be made available by the ministry to buy the rice. If not, I will invoke a blow from my scepter. [laughter and applause] I must make this very clear. So, I ask H.E. Kong Sam-ol to help me in my capacity as CARD chairman to provide us advice when asked. I am sure that you are in a position to help us because I know that you have done a great job in your four years as my adviser in agricultural affairs and in subsequent years as deputy prime minister in charge of agriculture."

I agree with and support the three points raised just now by H.E. Tav Senghuo. Although we have many problems to solve, there are three urgent ones. The first area that needs a solution is food production. Our population growth rate is between 2.8 percent and 10 percent. The rate is low in urban areas, but high in rural areas. This is true almost anywhere, for Cambodia, China, Indonesia, and Vietnam still cannot control their birth rates in the countryside. So, this problem calls for greater efforts to feed the population. We must find ways to match an increase in food production with the increase in population. Furthermore, our agriculture must not be sufficient only. We must produce an excess amount for export purposes.

"We still have so many things to do. I am now very happy because in our Royal Government His Royal Highness Prince Krompreah Norodom Ranariddh and I share common responsibilities. He heads the Council of Development working to attract investment for rehabilitation and development while I am in charge of the Council for Agricultural and Rural Development. Tomorrow, at 1530 I will preside over the first meeting of this council. However, H.E. Tav Senghuo must immediately travel to Tokyo where his presence as agriculture minister is needed to discuss a number of aid projects offered by Japan."

I am not going to raise any strategic questions during this ceremony, but I would like to point out that in the past those involved in our football game seemed to be new players. There was no coordination. When the Agriculture Ministry wanted money to buy rice, the Finance Ministry refused to provide it. The Agriculture Ministry was concentrating its efforts on planting, but the Trade Ministry was not interested in finding any markets. Recently, a young speaker raised the question of soy beans lying in waste in Chamka Leu. At the same time Malaysia informed Thailand that it desired soy beans and wanted to import them. Why did our Trade Ministry not act? We instead begged Thailand to buy our beans. I was ashamed that we did not find other markets for our soy beans. Thailand said it did us a favor by importing 10,000 tons despite its protectionist policy. It is because of such a lack of coordination that we saw the need to set up this council. "Even the president of the National Bank was invited to join. But he is no longer there now; he is doing nothing. Everyday he listens to the radio and thinks only of buying and selling dollars. I am quite unhappy with him. Private banks that asked for permission to open here claimed to be investing in agriculture, industry, and so on, but really what they have been doing is nothing but exporting currency. This infuriates me. What are they doing now? They are, first, buying properties and, second, accepting deposits. What are they doing with these deposits? They do not give them interest here and use them to invest. They send them abroad, which infuriates me. So, I would like to tell the banks that they cannot engage in free dealing like banks in the United States.

"When we check out their contracts, their application promises, we see nothing of that being done here. Virtually nothing has been accomplished in the areas I have been to observe.

"The National Bank can do a lot more now than ever before. I still remember that its capital left over from the former State of Cambodia—under which the bank started from scratch—is worth no less than $50 million. I still remember in which countries that money has been deposited, but I do not want that money back. But now with 10 percent deposits by all the private banks, how much has the National Bank accumulated? Why does it not disburse that money for useful purposes? Why is the Bank keeping it? I have volunteered to come here because of that. I do not want to become an agronomist, a minister, or an agricultural expert. I come here to help you and I will not meddle in your exclusive turf. I come here to help facilitate your work. Tell me what you need; tell me if you want financial support for projects. I know where they have deposited the money for no useful purposes. And here is an outrage that I have exposed since I went to Takeo: Of the $62 million from the World Bank, only $2 million have been spent [words indistinct].

"I say this only to stress that it is time for me to go into action one more time. We enjoy many more possibilities now than ever before. This is because no one is placing any economic punishment, any economic embargoes on Cambodia. Cambodia is receiving aid and loans, huge loans. We have received a $40 million grant from the IMF to be spent within five years. The World Bank has told me that it has a $40 million loan for us, including a grant to finance the construction of small irrigation networks in the agricultural and rural development sector. They do not help us build large-scale irrigation projects and major highways, but lend us money for rural development, for building small ditches and dams. The loan is for such projects and can be repaid in the next 40 years." It can be repaid by later generations and we can accept their conditions. What the World Bank is afraid of is a repetition of what happened in Panama.

The $40 million will to go to three institutions, namely agriculture, rural development, and public works. Some money may be borrowed by the educational and health sectors, but the bulk will go to agriculture if the latter is smart enough to prepare plans for small-scale projects worth, say, $100,000 to $300,000 each. This grant will be spent within five years. We should know how to spend it. Unfortunately, of the $62 million from the World Bank we could spend only $2 million.

In sum, our situation has been most favorable but our players have been completely uncoordinated. But I am here to help you smooth out your work from above.

"Now, I want to propose a number of urgent tasks to the Agriculture Ministry.

"First, you must immediately dispatch Agriculture Ministry officials to the provinces to assess three key questions of great interest to me:

"1. Find out exactly how much rice we grew during the last rainy season. Now, we do not have specific figures on anything. A few days ago, Kompong Cham Province grumbled, asking how to quickly send news to the prime ministers. It said it had forwarded news through the Interior Ministry, an arrangement that has a delaying effect because it is not a direct route to the prime ministers. The province contended that it had planted 20,000 hectares of rice, but the report reaching us said 18,000 hectares. Because of such complaints, I request that officials be dispatched to do assessments.

"2. Study the pace of and learn how much output the current dry-season rice planting campaign is producing.

"3. On a legal basis, there must be an accurate assessment of the rainy and dry-season rice planting campaigns in order to estimate the projected food shortage in 1995 so that the government can appeal for international assistance. We must grasp the situation so that we can estimate how much food we will need in 1995 and how much we will ask other countries to help. We must have a program to perform that estimate so the government knows which countries to approach for aid.

"The second urgent task is to promote all projects already under way. This is also urgent. For example, we should carry on the task of providing rice for localities that still need it. The rainy-season rice crop is over; what remains is the dry-season crop. And this is not of considerable quantities. There is also the question of providing fertilizer for the dry-season rice. We must set up a mechanism to deal with this fertilizer problem. I have studied the problem and discussed it with the new agriculture minister and he agrees with me. We must find a formula to bring fertilizer directly to the farmers. Also urgent is intervention to help inundated or drought-hit areas. We must intervene by providing water pumps from the Agriculture Ministry and the provincial departments for the affected people. We must never be lax. I would like to appeal to all of you that this mission is like a coup d'etat. You cannot have bad timing; a delay of just a couple of days will make a huge difference. If you allow the land to crack because of lack of water, you will waste much more fuel trying to irrigate it back to normal. Suppose you spend 100 liters of fuel pumping water into an uncracked field, you will spend 300 liters if the land is allowed to crack. It is like staging a coup. In 36 hours during the July coup I had only two hours of sleep; it was like fighting the floods. So, this problem must be dealt with immediately. Forget about what has already been damaged, just do not allow the remaining good crops to go to waste. If we fail to save it, then it is our fault."

Another urgent task is to quickly implement existing projects and carry on those already under way to provide jobs for the local population. Otherwise, there will be a serious migration of people from the countryside to Phnom Penh, resulting in the problem of squatting on roadsides and in public gardens. Projects sponsored by nongovernmental organizations to provide subsidiary incomes for farmers should be implemented immediately after the harvest.

"My view, which is supported by Prince Krompreah, is to concentrate all resources on the agricultural sector for three consecutive years, namely 1995, 1996, and 1997. If there is no advancement in agriculture, there will be no change at all. Now, together with the Finance Ministry—and I will discuss this with the finance minister in the council—we must launch a preemptive strike, mobilizing as many assets as possible.

"But we should have an overall study of the funds we have—state funds, funds from foreign aid, funds from foreign loans, and funds from private investment—to see how much we have invested in agriculture. Otherwise, every sector will claim predominance. The Ministries of Religious Affairs, Social Welfare, and so on will claim that they are all important and the share will be insignificant. I am most worried about the current hefty government spending. These Motorolla, Camsat, and other hand phones cost money. Their high costs would be justified if they are being used to obtain the right information. But no, they are not. We do not even get the right information about agricultural production figures."

So, we are concentrating on agriculture. "We will trim down anything that is not important. I will not touch the national defense and security budgets but I ask you, first, to work out our agriculture budget to see how much money we have for agriculture in 1995. Second, concerning the purchase of rice for 1995, we have discussed this issue previously and we must never allow a shortage of rice to happen in the future. Old plans called for stockpiling around 3,000-3,500 metric tons of rice. Now, however, H.E. Tav Senghuo has told me that we need only 3,000 metric tons in stock."

This 3,000 metric tons will be used in case of floods or any other natural disasters. But if there are no floods, we can start using this amount for export to obtain money to buy (?rubber). There is nothing to lose.

Another urgent task is to seek ways to implement the World Bank's credit through our community funds. So far, we have done nothing yet. However, it is basically not too difficult, and what we need to do is plan a number of small projects for the implementation of the credit.

Former Minister Warns of Dangers of Corruption

HK0711072994 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English 7 Nov 94 p 8

[Report on interview with former Cambodian minister of finance Sam Rangsi by Amy Chew in Hong Kong; date not given]

[FBIS Transcribed Text] Two weeks after being removed from office because of his outspoken ways and fight against corruption Cambodia's former finance minister Sam Rangsi remains defiant. In an interview with the SOUTH CHINA MORNING POST during a private visit to Hong Kong, Mr Rangsi continued to warn of the dangers of corruption and how it endangered economic development.

"Corruption is terrible. Of course, you have corruption everywhere in the world," he said. "But when you have corruption at a large scale, when it becomes institutionalised, it is a big hindrance to development because it prevents real competition. Real competition means the most efficient and cost-effective company wins public contracts and gains market share. But when corruption prevails, then you do not need to be efficient. You need only to bribe officials to gain public contracts and market share. I am not an idealistic man who believes that we can wipe out corruption but we should try to keep things under control."

Mr Rangsi said large sections of his country's economy were controlled by speculators and doubtful investors whom he described as "the mafia".

"Those so-called investors came to Cambodia five years ago and bribed officials of the previous government to get the best land and state properties to do whatever they wanted," he said. "They signed contracts with the previous government without any predetermined terms so they can sell or lease these properties to small traders at any price.

"Their contracts are detrimental to national interest but no one in the present government dares question them but for a few exceptions."

He said that some of the best land in Cambodia along the national routes where factories and warehouses should be built, were in the hands of speculators. He said that the mafia came to Cambodia to speculate in land and properties as a means to launder money from smuggling and drug trafficking.

Through speculation land and property prices had risen to ridiculous levels, he said. "A survey showed that land prices in Cambodia should be five times less expensive then what they are now in accordance to the local living standards.

"Potential investors from the United States and Hong Kong have told me that they cannot find land and that prices were too expensive."

In the capital Phnom Penh, it costs a minimum of US$15 per square metre of land—10 kilometres out of the capital, land rices range between $10 and $15 per square metre.

"The mafia kills Cambodia because they prevent real investors from coming in," he said, adding that it was also depriving the country of much-needed revenue.

When Mr Rangsi was removed from office, the news was greeted with dismay by Cambodians and the international community because he has been largely credited with stabilising the currency, bringing inflation under control and implementing bold reforms. In the words of a Cambodian businessman: "Mr Rangsi is probably the best technocrat the country has seen." He has been replaced by Keat Chhon, head of the Cambodian Development Council. Asked whether his successor would be able to continue with the reforms which he had initiated, he said: "My successor is a very able man. Technically speaking, he can do what I have done.

"There is only one policy to put Cambodia back on the right track—to implement reform, bring transparency to ensure accountability and the rule of law as well as respecting the budget law which centralises all state revenues." He also said that many more laws were needed like land laws and banking laws and effective implementation of laws was essential.

Pressed further on whether Mr Keat Chhon would be able to withstand the pressure within the system to act objectively, he replied: "My successor was a former high ranking official of the Khmer Rouge who later changed camps to become a member of the Cambodia's People Party (CPP). (The CPP is part of the ruling coalition in Cambodia.) The CPP has a lot of connections with many of the powerful and doubtful investors. When you represent the CPP, how can you fight the mafia who is your ally?"

Asked whether that meant Mr Kheat Chon would face difficulty in withstanding pressure, he said: "That depends. If he suddenly becomes committed to his country and dares to fight for the national interest, then he would do, and I hope he would do a very good job. But if he remains under CPP's instruction, then he would not dare to threaten attack and jeopardise those powerful interests and no significant reform would be implemented. In Cambodia, there are only two powers—the power of the gun and the power of money."

While he was in office, Mr Rangsi's war against corruption earned him many death threats and he is on record as saying a price of $400,000 had been put on his head. Asked whether his life was still under threat, he said: "Everything is possible in Cambodia. Many people get killed every day in Cambodia because they fight for truth, justice and denounce corruption. I am not afraid. If one Sam Rangsi falls, there will be 10 other Sam Rangsis who will rise up and continue the fight."

He also stressed that it was crucial that corruption be brought under control if the country was ever to win the war against the Khmer Rouge.

"The best weapon against the Khmer Rouge is not tanks, guns and bombs but economic development. In order to achieve true and fast economic development, you have to fight corruption," he said.

He made an impassioned plea to the international community not to abandon his country.

"I beg the donor countries and financial institution to continue to help Cambodia but help with open mind and eyes. The question is to ensure that the aid reaches the people who need it most," he said. "I think some degree of conditionality is not bad and follow-ups should be done."

He also encouraged investors to continue to explore all possibilities in Cambodia as things were not all that bad. "I just pointed out some examples of bad things," he said. "They can still work legally even if it's a little bit expensive, to gain a foothold so that when the things are right, they can expand very quickly."

He was confident that things would improve and that the rule of law and democracy would take root in his country.

Poor Condition of Government Forces Detailed

BK0811091494 Bangkok BANGKOK POST (INSIDE INDOCHINA Supplement) in English 8 Nov 94 p 2

["Report" by Remi Rorschash in Phnom Penh]

[FBIS Transcribed Text] Exactly a year ago the general staff of the Cambodian Royal Armed Forces were busy preparing their dry season offensive against the Khmer Rouge. There was a new government, the results of the United Nations' supervised elections had finally been accepted by all, and the future looked bright.

The Khmer Rouge could be got rid of once and for all, a young newly-promoted general said at the time. The armed forces could succeed where the Vietnamese failed.

Then came the events of Anlung Veng and Pailin. The Khmer Rouge regained some of its lost military credibility. The armed forces endured two bloody defeats and some of its generals fell in disgrace after stuffing their pockets with loot of the unofficial Khmer Rouge capital. During the campaign for Anlung Veng, and even more so in Pailin, Khmer Rouge troops managed to buy supplies directly from government officials. The morale of the Phnom Penh forces plunged to a record low.

Will the story repeat itself in the next few months? Will the armed forces have to face old problems and new defeats if they try to force the Khmer Rouge into battle? Probably believe most military and diplomatic observers.

But optimist commanders would object. There has been a reorganisation of the forces, with training and new weapons. The forces of 1995 will not be those of 1994. The bad generals have been partly eliminated. Some military specialists believe the armed forces next year will in fact be worse than those of 1994.

First, they claim, any army cannot be rebuilt in a few months. Training has touched only a few hundred men. New weapons will make no difference. The problems plaguing the army last year, or earlier this year, have not gone away. Restructuring of the army is still mostly on paper. The plan is to reduce the armed forces to 80,206 men—and a few women.

Today, officially, the armed forces are made up of 135,000 men, including ghost soldiers, deserters, dead soldiers or those who simply went home. The 12 infantry divisions, usually understaffed, will be reduced to six by the end of 1997 if everything goes according to plan.

So-called border battalions, many heavily involved in trade and smuggling, will be disbanded in two years, as will the district regiments. Many of these militia units are more conceptual than real anyway. The so-called provincial armies will be transferred to central command or disbanded. This is the theory; this is the future. But now, with the exception of a few units, the armed forces represent little danger to the Khmer Rouge, according to most military experts, including those involved in training the forces.

The new weapons? It is no great mystery that the Cambodian authorities, in search of rifles and bullets, sent their officials to Eastern Europe. There are strong rumours that the new tanks have already been bought.

"Tanks against the Khmer Rouge," wondered a former tank commander of the British Army. "Useless. Dangerous. The chance that everything goes wrong is especially high with armoured vehicles. They become a sitting duck. It is the wrong weapon in the wrong terrain against the wrong enemy."

Nobody indeed expects the Khmer Rouge to oblige the armed forces by fighting in open terrain.

"To deal with the Khmer Rouge you need small but highly-mobile, well-trained, determined units," said a Western officer based in Phnom Penh. An internal document of the armed forces, dated July 1994, admits that many units "lack sense of organisation and do not correctly fulfill their essential mission, to protect villages and population".

"The majority of the privates totally lack discipline and do not follow rules or orders from the general staff," said the document. Maintenance is almost non-existent.

"I have been in Africa, in South America," said a military expert. "I have never seen such a lack of care. Rifles are never cleaned. A lot of the equipment is exposed to the sun and the rain, much of it is rusting and should never be used again."

The judgement of the Khmer Rouge is of course even more cruel.

"In the military field, the armed forces of the two-headed government, including the forces of the communist Vietnamese puppets and the 'para' (the former non-communist resistance) of the US puppets are being scattered to the maximum extent and gradually are beginning to fall apart section by section, chunk by chunk. Moreover, they failed to conscript new soldiers and militiamen to fill the gaps in their forces."

What the Khmer Rouge does not say is that it can buy almost any weapons available to the armed forces. In some cases, they simply order them.

"They pay well and they pay cash," said a Western diplomat. Plenty of the weapons for the armed forces find their way almost on a daily base to insurgents fighting the Rangoon government. An arms cache, with some weapons from Cambodia, was found a few weeks ago as far away as the province of Song Be in the north of Vietnam. The cache included AK47, CKG and even M16 rifles.

The Khmer Rouge may not be that large. Some military experts believe its strength is at best 5,000 regular and 5,000 auxiliary troops. There has been a major effort at reorganisation and it is expected that the National Army of Democratic Kampuchea will put pressure on Battambang and Preah Vihear.

Khmer Rouge successes in Battambang can mean a further rice shortage. As for Preah Vihear, it is the perfect target far away from Phnom Penh, poor, and of difficult access. Its provincial capital has only a few thousand inhabitants. It is more a big village than a city. But its capture could represent an important political gain for the Partie of Democratic Kampuchea, anxious to give its provisional government a capital.

Another major military failure by the armed forces, on the other hand, could have disastrous results for the royal government. It could be exploited by those who failed in their coup attempt last July.

KR Urges Further National Salvation Struggle

BK0711153694 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 7 Nov 94

["Press Communique" issued by the Secretariat of the "Provisional Government of National Union and National Salvation" Cabinet on 7 November; place not given]

[FBIS Translated Text] 1. The Provivional Government of National Union and National Salvation [PGNUNS] Cabinet held a weekly working meeting on Monday, 7 November 1994, under the chairmanship of His Excellency [H.E.] Khieu Samphan, prime minister and minister of the National Army, and with the participation of all its members.

2. The cabinet, with a high sense of responsibility, heard reports presented by each ministry and examined the situation concerning the national salvation struggle conducted by our nation and people that has evolved hitherto. The cabinet has clearly observed that, although defeated consecutively and severely in all fields, the old and new enemies still persist in waging war to kill our Cambodian nation and people, exterminate our Cambodian race, and endlessly wreak havoc upon our nation and people.

3. At present, the villainous western alliance, with the United States, France, and Australia as ringleaders and desperadoes, has joined communist Vietnam in openly declaring a war to exterminate the Cambodian race. In addition, senior U.S. civilian and military officials have openly declared war in Cambodia; senior French officials have openly declared war in Cambodia; and Australian Foreign Minister Gareth Evans has also repeatedly and openly declared the amassing of military aid and sending of military personnel to wage the war with the aim of decimating the people and Democratic Kampuchea.

The reality is that for the coming 17th dry season, they have been actively organizing a military campaign to further kill the nation, people, and Democratic Kampuchea. They are conducting psychological warfare by blatantly shouting that they are prepared to fan the flames of war in Cambodia in accordance with their aggressive and warmongering nature. This is deceitful, stinking, and base propaganda. They have ejected Sam Rangsi from the Finance Ministry and Prince Sirivut from the Foreign Ministry so that they can spend money at will to serve the warmongering policy. They have destroyed and rejected whatever impedes their policy of sabotaging peace and exterminating the Cambodian race.

On the battlefield, the enemies, old and new alike, and the two- headed government are actively shipping tanks, multiple rocket launchers, cannon, and ammunition in preparation for offensive attacks during this 17th dry season.

U.S. President Cliton has striven to arrange for ships containing many hundreds of thousands of tonnes of ammunition to be stored in the Gulf of Thailand to fuel the war in Cambodia. The visit by the U.S. Pacific Fleet commander to Vietnam and Phnom Penh is also to make preparations for a military campaign to kill the Cambodian nation and people during the coming 17th dry season and in the future. To implement the scheme, they are mainly banking on the organizational structure of the Communist Vietnamese Party and that of the communist puppet party as well as all types of overt and covert civilian administrations of the communist Vietnamese puppets from top to bottom.

4. The situation has more clearly shown our entire nation and people that to save and sustain the survival of the Cambodian nation and race and to end the war, national reconciliation is needed. National reconciliation and national compromise are vital for our Cambodian nation and race. However, to achieve national reconciliation, it is imperative to continue the tenacious and constant struggle on all battlefields against communist Vietnam, the alliance, and the traitorous two-headed government, which impair national reconciliation, destroy peace, and persist in further kindling the war in the most arrogant manner, in violation of all kinds of laws and sovereign rights.

In the past, as at present, our entire Cambodian nation and people have made all sorts of sacrifices and have painstakingly conducted all kinds of struggles with a view to achieving national reconciliation and national compromise, thereby putting an end to the war. The tenacious struggle carried out by our nation and people from all walks of life in the countryside and Phnom Penh and abroad has caused the enemies, both old and new, and the two-headed government to suffer serious setbacks in all fields and sectors. Therefore, to arrive at national reconciliation and to close the book on the communist Vietnamese war of aggression, thereby allowing our country to recover peace, all of us should more actively continue our tenacious struggle.

5. The entire Cambodian nation and people as well as the PGNUNS wish to appeal again to the peace- and justice-loving people the world over, in particular the American, French, and Australian peoples, to thwart the U.S., French, and Australian administrations from sending military aid and personnel and cash so as to continue to nurture the communist Vietnamese war to exterminate the Cambodian race. The peoples should prevent their administrations sending their children and relatives to serve as shells of the aggressors' cannons and be killed or futilely separated. The best way to end the Cambodian problem once and for all, thereby benefiting the Cambodian nation and people, all distant and nearby countries and peoples, and regional peace and stability, is that they should not come and join communist Vietnam in furthering the war to exterminate the Cambodian race. They should instead make arrangements for national reconciliation and national compromise to be achieved and genuine peace to be restored to Cambodia.

The tenacious struggle constantly conducted by the entire Cambodian nation and people and the PGNUNS is only aimed at achieving national reconciliation, thus uniting the national forces of the political tendencies to save and sustain the survival of the Cambodian nation and race.

7 November 1994
The Secretariat of the PGNUNS Cabinet

Indonesia

U.S. Reportedly To Raise Timor at APEC Summit

BR0811161494 Lisbon DIARIO DE NOTICIAS in Portuguese 7 Nov 94 p 6

[Ivone Gravato report: "Timor 'Invades' Jakarta"]

[FBIS Translated Text] The National Council of Maubere Resistance (CNRM) has managed to obtain a guarantee from the governments of Canada, Australia, and Japan that the issue of Indonesia's military presence in East Timor will be raised at the APEC (Asia-Pacific Economic Cooperation Forum) summit to be held on 16 November in Jakarta, Jose Ramos Horta, the CNRM representative abroad, revealed yesterday in Lisbon.

U.S. President Bill Clinton also committed himself to defending "greater access to the territory by organizations linked to the Timor issue," the Timorese official said, adding that the letter which Clinton will deliver to his Indonesian counterpart is "very positive."

In the meeting with the Timorese community and the media, Ramos Horta also revealed a statement made by the Maubere resistance leader detained in Indonesia, Xanana Gusmao, in which he confirmed the CNRM's foreign representatives in their functions. Xanana Gusmao also officially approved the appointments to the Executive Cabinet, a body which is said to advise Ramos Horta.

Xanana acknowledged the following as representatives of the CNRM: Jose Adriano Gusmao (South East Asia), Abel Guterres (Australia and New Zealand), Constancio Pinto (United States and the United Nations), Abel Barreto (Canada), Luis Cardoso (Portugal), and Jose Amorim Dias (European Union). Constancio Pinto, Pascoela Barreto, and Aegio Pereira are Ramos Horta's special assistants.

The CNRM representative abroad also dealt with the question of a hypothetical invitation from Indonesian President Suharto, who, within the framework of the APEC, could prove to be prepared to discuss the Timor question. Stressing his surprise at the fact that Suharto is considering having a dialogue with the Timorese representatives abroad—when he has Xanana Gusmao near Jakarta and Bishop Ximenese Belo in Dili—Ramos Horta thought it was more probable that should such a meeting take place, Jakarta's guest will be Abilio Araujo.

"Suharto will have to invite Abilio Araujo because then he will not hear demands about the withdrawal of Indonesian troops under international supervision," Ramos Horta explained. In the meetings with [Indonesian Foreign Minister] Ali Alatas "I compared Xanana to former Indonesian President Sukamo, who was responsible for Indonesian independence, and who was imprisoned by the Netherlanders and brought down by Suharto," the Timorese revealed. "Alatas did not react, but Suharto would not like to hear that."

"It could be that Suharto's invitation will go to Indonesia's ambassador in Lisbon, via Ali Alatas, Lopes da Cruz, or Nuno Rocha," Ramos Horta added. Should this prove to be the case, a letter has already been sent to Xanana Gusmao so that he can make a decision as to what should be done.

Ma'Huno, the former leader of the resistance movement in Timor, will also be contacted, if possible (given that there are rumors that he has disappeared), as well as other resistance fighters in the interior of the territory that Ramos Horta did not wish to name.

Moreover, the CNRM is betting heavily on this anticipation, preparing the actions to be undertaken well in advance. For the APEC summit, inquiries were initiated, especially among the State Department in Washington and the international press one year ago. A lobbyist, a specialist on the ins and outs of American politics, has already been working with the Council for three years.

The recent meetings of Prime Minister Cavaco Silva and Foreign Trade Minister Durao Barroso with Clinton also contributed to giving an international dimension to the East Timor issue. The television station CNN and the daily newspapers NEW YORK TIMES and LOS ANGELES TIMES were three of the media organs that have recently devoted themselves to reporting on the issue of Timor.

Overseas E. Timor Leader Plans To Meet Suharto

BK0911034694 Jakarta Radio Republik Indonesia Network in Indonesian 0000 GMT 9 Nov 94

[FBIS Translated Text] Abilio Araujo, leader of the overseas East Timor community, hopes to meet President Suharto. This was stated by Roving Ambassador Lopes da Cruz to reporters in Jakarta yesterday. Ambassador Lopes da Cruz, who met Abilio Araujo in London recently, said the latter admitted that development and conditions in East Timor were improving.

A former Fretilin [Revolutionary Front for an Independent East Timor] leader, Abilio Araujo expressed his desire to meet President Suharto to discuss the possibility of the overseas East Timor community contributing to development in East Timor. Abilio Araujo will not question the status of East Timor during the coming meeting with President Suharto. For Indonesia, the status of East Timor has been settled de facto and de jure.

The date of the visit by the leader of the East Timor overseas community to Indonesia is being arranged by the ambassador of the Republic of Indonesia in London and the chairperson of the Indonesian-Portuguese Friendship Association.

Editorial Views Trend Toward 'Globalization'

BK0911061694 Jakarta KOMPAS in Indonesian 8 Nov 94 p 6

[Editorial: "Much Homework To Be Done for the Sake of Indonesia's Success in APEC"]

[FBIS Translated Text] Preparations are underway for the APEC [Asia-Pacific Economic Cooperation] summit to be held in Bogor on 15 November. The senior officials meeting is underway, and it will be followed by a ministerial meeting. The APEC meetings in Indonesia will also be attended by hundreds, perhaps thousands, of businessmen from the Asia-Pacific nations.

The international meetings (though covering only the Asia-Pacific region), regarded in some circles as the most important meetings held in Indonesia since the New Order government came to power, will also be highlighted by bilateral meetings among the 18 APEC members as well as the signing of business contracts that may be worth billions of dollars.

All of this will show how dynamic the Asia-Pacific region is and that APEC is a very important instrument to enable the Asia-Pacific nations to achieve greater welfare.

The whole world is focussing its attention on Indonesia, where the summit will be held in Bogor on 15 November. In plain language, everyone wants to know what APEC will be. As an Indonesian economist said: APEC's form is not yet clear because it is still in the process of becoming concrete. It can be likened to something that can fly; it may be a bird, a dragonfly, a butterfly, or even a plane, but it is something that can fly.

Indonesia wants the APEC summit to produce concrete results early next week. Prior to the summit, the United States apparently wanted APEC to achieve a concrete consensus on turning the Asia-Pacific region into a free trade zone. The developed nations in the region are expected to achieve this by 2010 and the developing ones by 2020.

Some APEC members want APEC to remain a consultative forum featuring non-binding decisions, but nations such as the United States want APEC to become concrete and feature binding decisions, for example, on investment provisions.

Malaysia opposes not only the formation of a free trade area and trade liberalization, but also attempts to turn APEC into a concrete organization. Malaysia wants to give priority to the development of the EAEC [East Asia Economic Caucus], a regional economic cooperation forum in the western part of the Asia-Pacific region that excludes the United States. Malaysia's stance has been openly supported by China, which is also opposed to trade liberalization and the formation of an APEC free trade zone. Japan is ambivalent, however. Japan is in the APEC camp, but quietly supports the EAEC.

Nevertheless, the form and direction of APEC will become clearer after the 18-member APEC summit, although there have been assumptions that the APEC meetings in Indonesia are meant only for discussion, not for action.

Regardless of this, there is one thing that deserves mention. Economic globalization—whether in the form of the implementation of the GATT provisions or in whatever form of trade liberalization—seems inevitable. Globalization in the form of common provisions on trade, investment, goods, capital, and money that must be obeyed by all parties will become a reality no matter what form the liberalization takes and how long a grace period is extended to developing nations such as Indonesia to adjust to the trends. In other words, developing nations such as Indonesia will get carried away by the globalization current sooner or later, whether they like it or not and whether they agree or not.

Thus, there is only one alternative for nations such as Indonesia. They must adjust to the trends.

A senior government official said that this will have a positive impact on Indonesia. In fact, economic activities in Indonesia have been conducted with proper rules as well as "without rules" or "at will." Indonesia will have to conduct them on the basis of rules—transparent rules recognized internationally.

As many Indonesian economists and senior government officials have said, Indonesia must complete its homework because it has to adjust to the trends. This means that Indonesia must tidy up its own house. Some believe that the task must not only be conducted by the business circles as economic actors. Deregulation packages will not be sufficient. The revamp must also cover the behavior of and the relationship between the government and the business circles.

It is becoming clear that it is not enough to ask the business circles to be highly efficient and competitive. Government deregulation packages designed to enable the business circles to be highly efficient and competitive are not sufficient either.

Many experts believe that the adjustments should involve the government apparatus due to its links or collusion with the business circles and because it is the main source of the high-cost economy. Some believe that Indonesia will lag behind if this matter is not addressed. While other nations "run" fast to improve their people's welfare, Indonesia will indeed become the last "runner" to arrive at the finish line. Indonesia may lose to the other APEC members or may be left behind by other nations in the world in the implementation of the GATT provisions. Some even believe that this will become a matter of survival for the entire Indonesian people.

There is another matter. The success of economic cooperation within APEC—regardless of what form it takes—will depend on the role of the business circles as economic actors. This is understood by the APEC leaders. Accordingly, the summit on Blake Island, Seattle in the United States called for ways to enable the business circles to participate in APEC's activities. Forms of their participation were explored during the APEC senior officials meeting in Indonesia. One of them was the formation of the APB-Net [Asia-Pacific Business Network], which was the initiative of the APEC business circles.

Some in Indonesian business circles are hesitant and skeptical because they feel that some government officials do not sincerely accept the role of the business circles in APEC. This insincerity, which has downgraded the business circles to a "secondary" or "nominal" role in efforts to secure the nation's welfare, has long been visible.

In our opinion, this would be regrettable because the business circles are playing a role in securing the people's welfare in the changing world. Indonesia will be the last runner to reach the finish line.

Laos

Talks Held With PRC Ministry Delegation 8 Nov

BK0911064694 Vientiane Vitthayou Hengsat Radio Network in Lao 1200 GMT 8 Nov 94

[FBIS Translated Text] On the morning of 8 November, a delegation of the Communications, Transport, Posts, and Construction Ministry headed by Minister Bouathong Vonglokham held a consultative meeting with a delegation of the PRC Communications Ministry headed by Minister Huang Zhendong at the Lan Xang Hotel in Vientiane. The two sides discussed a draft agreement and protocol on the overland and waterway transportation of goods and passengers as well as the adoption of regulations on the issuing of permits for cross-border transportation between the two countries.

During the meeting, the two sides also discussed many related issues. In particular, they exchanged views on the problems of boats used in transporting goods and passengers, crewmen working on the boats, passengers travelling by boat, the shipment of goods, and wharves on both sides. They also discussed the implementation of tax regulations and arrangements for the transaction of goods and the use of warehouses and other facilities. The two sides also defined the routes, parking places, and schedules of passengers cars and trucks; the cost of transportation services; currency units; money calculation; the payment of land transportation costs; and the issuance of licenses for cross-border transportation of goods and passengers. In the interest of the promotion and expansion of the long-standing good trade relations and solidarity between Laos and China, the two sides agreed to step up cooperation in transporting goods and passengers on the basis of mutual benefit.

Foreign Minister Greets New Cambodian Counterpart

BK0911122494 Vientiane KPL in English 0932 GMT 9 Nov 94

[FBIS Transcribed Text] Vientiane, November 9 (KPL)—Somsavat Lengsavat, minister of foreign affairs of the Lao People's Democratic Republic, yesterday sent a telegram of congratulations to Mr. Ing Huot, minister of foreign affairs and international cooperation of the Kingdom of Cambodia, on his appointment to the post.

He expressed his conviction that the traditional friendly relations and cooperation between the peoples of the two nations, Laos and Cambodia, as well as between the two ministries of foreign affairs further develop.

Somsavat Lengsavat wished Mr. Ing Huot good health and splendid success in his noble tasks.

Cambodian Delegation Arrives on Working Visit

BK0911070094 Vientiane Vitthayou Hengsat Radio Network in Lao 1200 GMT 8 Nov 94

[FBIS Translated Text] A high-level delegation of the Kingdom of Cambodia led by His Excellency [H.E.] Nhim Vanda, minister attached to the Prime Minister's Office, arrived in Vientiane this afternoon for a working visit to our Lao People's Democratic Republic [LPDR]. The Cambodian delegation was welcomed at Wattai Airport by H.E. Phao Bounnaphon, minister attached to the Prime Minister's Office, along with a number of high-ranking cadres concerned. Khek Lerang, ambassador extraordinary and plenipotentiary of the Kingdom of Cambodia to the LPDR, was also on hand at the airport to welcome the delegation.

During the scheduled two-day visit to Laos, the high-level Cambodian delegation led by Nhim Vanda, minister attached to the Prime Minister's Office, will hold a working meeting with a Lao delegation led by the minister attached to the Prime Minister's Office. It will also pay a courtesy call on H.E. LPDR Prime Minister Khamtai Siphandon at the Prime Minister's Office. The delegation is also scheduled to visit the afforestation project of the Agriculture and Forestry Ministry in Nam Souang, the Nam Ngum Hydropower Plant, and some production establishments in Vientiane Prefecture and Vientiane Province.

Talks Held on Development

BK0911085994 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 9 Nov 94

[FBIS Translated Text] A meeting between a delegation of the Lao People's Democratic Republic [LPDR] and a delegation of the Kingdom of Cambodia was held at the Vang Sadet Guest Hall in the capital, Vientiane, yesterday afternoon. The Lao delegation was headed by His Excellency [H.E.] Phao Bounnaphon, minister attached to the Prime Minister's Office, while the Cambodian side was headed by H.E. Nhim Vanda, minister attached to the Prime Minister's Office. The meeting was attended by concerned cadres from both sides. Khek Lerang, ambassador extraordinary and plenipotentiary of the Kingdom of Cambodia to the LPDR, was also present.

During the meeting, the two sides informed each other of the socioeconomic development situation in their respective countries. H.E. Phao Bounnaphon, minister attached to the Prime Minister's Office of the LPDR, informed his Cambodian counterpart in particular of the success achieved in implementing socioeconomic development during the restructuring period in Laos. The two sides also exchanged experiences and jointly studied possible means to strengthen, promote, and expand ever more fruitfully the long-standing friendly relations and cooperation between the two countries.

The delegation of the Kingdom of Cambodia led by H.E. Nhim Vanda, minister attached to the Prime Minister's Office, arrived in Vientiane yesterday afternoon on a three-day working visit to the LPDR.

Anniversary of Lao-Cuban Relations Marked

BK0511151694 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 4 Nov 94

[Unattributed article: "Twenty Years of Established Diplomatic Relations Between the Lao People's Democratic Republic and Cuba"]

[FBIS Translated Text] Today the peoples of the Lao People's Democratic Republic [LPDR] and the Republic of Cuba are celebrating together the 20th anniversary of the historic establishment of diplomatic relations, which have continued from 4 November 1974 to 4 November 1994.

Throughout the past 20 years, the Lao and Cuban peoples have made efforts together to overcome all obstacles and difficulties to safeguard, enhance, and make more incessantly fruitful the solidarity and relations of friendship and cooperation in the common interests of Lao and Cuban peoples and for peace and development.

Many historic events have taken place between the two countries after the establishment of Lao-Cuban diplomatic relations in 1974 and the establishment of the LPDR, including the visit to Cuba by the high-level LPDR delegation headed by Kaysone Phomvihan, the late chairman of the Lao People's Revolutionary Central Committee, chairman of the Council of Ministers, and president of the LPDR; as well as the exchange of frequent visits by the delegations of the two sides at various levels. In March 1994, Roberto Robaina Gonzalez, Cuban foreign affairs minister, paid a visit to the LPDR. The success of his visit reaffirmed that the relations and cooperation between the two countries had been further developed and strengthened. During the visit, the two sides shared similar views on various issues, such as the Nonaligned Movement, the Group of 77, and certain solutions to international and regional problems.

Though now faced with a changing world situation, our two countries have never ceased making joint efforts to further strengthen their relations, solidarity, and cooperation for the mutual benefit, peace, and prosperity of our two peoples and peoples the world over.

The official visit to Cuba by Somsavat Lengsavat, foreign affairs Minister of the LPDR, between 21 and 25 September this year has served to further strengthen the solidarity and cooperation between the two countries and to more profoundly promote the mutual understanding between the two peoples. The success of the visit as well as the signing of a cooperation plan between the Lao and Cuban Foreign Affairs Ministries has become a new step in the bilateral political cooperation in the changing international situation.

Generally speaking, the level of political ties between the two countries still remains very high and the economic cooperation has also produced impressive and satisfactory results. For example, in the past Cuba gave cooperation to Laos in implementing cattle and poultry farming projects. These two projects have now been handed over to the Lao Government for management. Cuba used to help train technicians for Laos and admit Lao personnel for specialized training in Cuba. It also sent Cuban specialists to work in Laos such as language teachers, boxing coaches, and medical personnel, and gave medicines and medical equipment to Laos, for example to Vientiane, Luang Prabang, and Sayaboury Provinces. Cuba also produced commemorative stamps and medals for Laos and cooperated in expanding sugar cane plantations for the existing sugar refinery it had helped built.

Due to changes in the international situation and faced with certain difficulties, the ties between the two countries have apparently become weaker. Nonetheless, the two sides still persist in trying to make their relations fruitful and more developed.

In order to continue developing the relations and cooperation between the two countries in conformity with the reality in each country, on the basis of the protocol on technical and scientific cooperation signed by the two countries, the two sides still coordinate and consult with one another in carrying out socioeconomic development under a new form for mutual benefits. The seventh meeting of the Lao-Cuban joint commission for economic cooperation between will be convened in Vientiane at the end of this year. At this meeting, the two sides are expected to explore together ways to step up cooperation in various fields such as in the agricultural, livestock raising, electricity, industrial, postal, public health, education, and sports fields.

The LPDR and the Republic of Cuba have given support to and consistently coordinated with one another in the international arena in the struggle for peace, national independence, equality, and justice regarding international relations and cooperation. The LPDR supports the Cuban people's struggle against the unjust economic embargo which has dragged on for more than 30 years. We support the policy of peace, friendship, and cooperation pursued by Cuba against external interference in the internal affairs of Cuba and of Latin American and Caribbean countries.

In the meantime, Cuba is also rendering consistent support to the foreign policy pursued by the LPDR in trying to peacefully settle the problems in Southeast Asia so as to turn this region into a zone of peace, friendship, and cooperation on the basis of equality and mutual benefits.

Throughout the past 20 years of diplomatic relations between the two countries, our two embassies have also actively carried out moves to create favorable conditions for the strengthening of the solidarity of the two peoples both in big cities and in remote localities, for example, by organizing activities to mark each other's historic events and holding meetings between the delegations visiting each other's country at various levels.

The Lao people are very proud and happy to see that the fraternal Cuban people under the talented leadership of Comrade President Fidel Castro have made great efforts to triumphantly overcome all difficulties, thus smashing the enemy's subversive schemes and firmly safeguarding their revolutionary fruits.

On this auspicious occasion, the Lao party, government, and people throughout the country would like to extend our gratitude to the fraternal Cuban party, government, and people for its cooperation with the LPDR and for its contributions to the LPDR's defense and construction. We reaffirm that we will cooperate with the Republic of

Cuba in cherishing and strengthening the relations of friendship and comprehensive cooperation between the two countries.

Philippines

Ramos To Discuss Trade, Defense With Clinton

BK0911094494 Manila THE SUNDAY CHRONICLE in English 6 Nov 94 p 7

[FBIS Transcribed Excerpt] "Trade not aid" is the Ramos administration's oft-repeated motto when dealing with developed countries, particularly the United States. But while economic issues have gained increasing prominence in the state of affairs between Manila and Washington, it is clear defense and military issues have not necessarily been trivialized. And, as in the past, aid is very often linked to defense.

Defense Secretary Renato de Villa says that in the upcoming meeting between Presidents Ramos and Clinton, "defense will be in the background." But he would not make the same announcement with regard to RP [Republic of the Philippines]-U.S. bilateral ties in general.

National Security Adviser Jose Almonte also stresses that trade has assumed paramount importance, but he qualifies his statement: "In terms of potential significance, neither defense nor economics is more important. But in terms of what is important precisely at this moment... it's more on trade."

In fact, presidential advisers say that defense issues will be brought up by Ramos and it is expected Clinton will do the same. More important among these topics will be a plea for more military aid to the cash-strapped Armed Forces of the Philippines [AFP], as well as a larger Philippine allocation in the U.S.'s International Military Education and Training (IMET) program.

Just as important is an agreement that has been worked out—on Washington's prodding—between the AFP and the U.S. Pacific Command (Pacom) which can, in effect serve to ease the strain on the American military's supply train in the Asia-Pacific region.

In the past year the military establishments of both countries threshed out the RP-U.S. Acquisition and Cross-Servicing Agreement (ACSA), which will in effect serve as a mechanism that will help solve the logistics problems of both sides which cropped up after the 1992 American withdrawal from Subic. In the case of the Philippines, the problem is basically that it is finding it harder and harder to afford the military equipment the AFP needs. For the United States, the problem is how to get its supplies to its deployed military units.

An adviser of President Ramos says the ACSA will be among the topics that will be raised at the meeting of the two presidents. President Ramos, he says, "will thank his counterpart for the ACSA which he expects will benefit the Philippines greatly."

Since it was the US which initiated the efforts which led to the drafting of the arrangements, the source says it is "equally possible" that "expressions of gratitude will be reciprocal." He explains that from the point of view of the United States, the ACSA is a "big step" towards solving its military supply problems. "We will therefore help them in their objective of maintaining a presence in the region."

He says the ACSA, "provided we have enough to sell," will, "in its own small way" facilitate U.S. power projection not only in Asia but in the Middle East as well. It was originally planned that the arrangement would only be in effect in the Pacific region, but after the meeting in Honolulu, this was modified to make the ACSA become applicable gradually," reads a report of the conference.

The ACSA has already been approved "in principle" by the president, although he has yet to give the go-ahead for the formal signing. There's no hurry: it is scheduled for signing at next year's first quarter meeting of the RP-US Mutual Defense Board by AFP Chief of Staff General Arturo Enrile and the U.S. Pacom commander-in-chief, Adm Richard Macke. [passage omitted]

But even if the ACSA works out fine, the AFP's modernization program cannot afford to wait until it does. Which explains the DND's recommendation to the president that he raise the possibility of the United States resuming its military aid to the Philippines. The prospect had earlier been discussed between defense officials and General John Shalikashvili, chairman of the U.S. joint chiefs of staff. De VIlla's aides say Shalikashvili's reaction was "encouraging," and that he had pledged to do what he could to help the DND [Department of National Defense] in this regard.

"Trade not aid," it seems, is easier said than done. Although the economy has shown signs of picking up, the AFP—hobbled by inadequate equipment—remains at the bottom of the region's military totem pole.

The primary reason cited by defense officials is that the United States military aid which virtually disappeared with the closure of Subic has not been replaced by local appropriations.

Military aid to the Philippines under the U.S. Foreign Military Sales [FMS] program is sorely missed. Over the past decade the United States, through the FMS, provided the Philippines with an average of $102 million yearly, peaking in 1991 at $200 million. Since 1982 the AFP received a total of over a billion dollars' worth of military gear.

While no one will argue with the wisdom of government's effort to step up trade (the debates are usually over how this should be done), it can also be argued that asking for foreign assistance is not necessarily a bad thing: the powerhouse European Community was to some extent built by U.S. aid, both military and economic, to Western Europe. The trick is procuring aid through means other than outright begging. This is usually done through what are referred to as "linkage strategies:" the issue of aid is "linked" to an issue wherein the weaker country has an asset—like oil, a strategic location, or diplomatic might—to offer. Often, resorting to linkage strategies seems to be the only recourse for weaker nations when dealing with powerful states which can, theoretically, just take what they want anyway. The issue of military assistance, therefore, could be linked to the logistics agreement on which the United States has placed much importance. In fact even non-military assistance could be linked to the agreement.

U.S. SECURITY STRATEGY

[Passage omitted] In the past, U.S. strategy abroad centered around combating communism. In the case of the Philippines, the goal was to keep the country "anti-communist" and "in the U.S. camp." Now, U.S. papers stress the need to maintain free trade and promote democracy. But the United States is not doing this out of altruism—its own policy papers say so. First and foremost remains what Washington deems to be the national interest of the American people.

In any case, it means that the United States will not let go of southeast Asia. The American armed presence is here for as long as the Americans can afford it, and they're not about to run out of cash.

On the official level, continued U.S. engagement continues to receive widespread support in Southeast Asia. Whether this is mirrored at the grass-roots level is, at this point, a matter of opinion. But officials are adamant in saying that while the U.S. presence is not without disadvantages, these are outweighed by the possible benefits. The most often cited is that the U.S. military serves to maintain the stability in a region where territorial disputes are not much closer to a solution than they were years ago.

Foreign Affairs Secretary Roberto Romulo said as much when he called for the United States to maintain its military presence in southeast Asia. Interviewed by Filipino reporters in New York he was asked to explain how the United States could "signify its presence," as he had proposed. "Well, maybe (the U.S. Navy could send) a ship or two to patrol the waters near the South China Sea," he replied.

A military analyst stresses "many in Asean prefer U.S. engagement, to deter potential hegemons from dominating the region."

A ranking DND official says he realizes continued U.S. presence "will not be completely advantageous. Pero sa totoo lang, [But, as a matter of fact] is there anything we can do about it? We could choose to resist this and fight a losing battle or we could study the situation and determine how we can benefit from it. We could find out the things the Americans feel they need—like this ACSA—then bargain hard to get something we badly need in return." It may be far from the ideal solution "for people who call themselves nationalists, but what can be more nationalistic than seeing to the development of your country. If we do it right, it will be easier for succeeding administrations to stand by the principles of sovereignty."

Government Enthusiasm Over Clinton Visit Belittled

BK0911050894 Manila MANILA STANDARD in English 6 Nov 94 p 8

[Editorial: "The Clinton Visit"]

[FBIS Transcribed Text] Government drumbeaters, as usual, are all agog over the forthcoming "visit" of United States President Bill Clinton to Manila. By their feverish preparations, one would think they are preparing for the Second Coming.

Malacanang reporters are complaining about having to put up with working in a building, the Kalayaan or Freedom Hall, that is being renovated with the attendant noise from carpenters and masons the dust of marble being polished like glass and the usual chaos involved in remodeling offices. That building is a historic edifice. Will it be, like most of the relics of our past, desecrated?

All for what? The American president will be holding a press conference with President Ramos in front of the building! Well, the American Caesar might take a leak in one of the new comfort rooms of the renovated building.

In their enthusiasm and confusion, the Malacanang drumbeaters forgot all about the state visit of the president of a neighboring country, South Korea, who precedes Clinton and is scheduled to leave Manila on the day the American arrives. Because he is only an Asian, not a Caucasian?

Malacanang is also making much of the security measures the United States is taking to protect Clinton while he is here. Malacanang proudly announced it had agreed to all the security demands the American T-men had imposed on it. And to think that just recently some fool nonchalantly shot up the White House, and a few years back a love-struck (not with Reagan) kid shot President Reagan as the American leader was leaving the Hilton Hotel in downtown Washington.

What kind of a visit is Malacanang trying to con the Filipinos with? Apparently they would have the people believe that the two presidents will take up earth-shaking matters as befitting the heads of two equal and friendly sovereign states.

But the U.S. State Department, through its embassy in Manila, has not been very cooperative. In press releases, State has said the two will try to improve the already improving relations between two friendly nations on the basis of equality and mutual respect.

The U.S. Embassy here is apparently at a loss on how to avoid telling the Filipinos the real score. In its latest backgrounder sent to local newspaper desks, the embassy was even too embarrassed to mention the specific time Clinton will land on and leave the Ninoy Aquino International Airport. All the backgrounder said was that he will arrive in the evening of 12 November and leave in the afternoon of 13 November and that he will visit Corregidor Island and the American military cemetery in Fort Bonifacio, Makati.

In short, he will be on Philippine soil less than 24 hours. In those few short hours, part of which Clinton will spend sleeping at the Manila Hotel, what could the two old friends possibly do as heads of two equal and sovereign states? Clinton could probably sit down with Mr. Ramos for coffee, to chat while calling each other by their first names, probably exchange telephone numbers all over again, and hold a joint press conference in front of the newly renovated Kalayaan Hall.

After all, he is only passing through on his way to a meeting in Jakarta.

But to the Malacanang drumbeaters it will be a historic visit. It will show the whole world that the great USA is still a friend of the Philippines, that their relations have changed from one between a colonizer and a colony to one between equal partners bound tightly by mutual respect.

Mr. Ramos probably entertains that delusion. But does Clinton feel the same way?

After Clinton watched Mr. Ramos pitifully admit to the whole world that there was nothing he could do but file diplomatic protests for the public mauling of his consul in Saudi Arabia and for the herding into a police station like cattle into a corral, of more than 300 Filipino workers in Malaysia, would he feel Mr. Ramos his equal counterpart? This leader of a mighty nation who with a mighty show of armed strength recently reinstalled a Haitian exile in Canada as president of that tiny and dirt-poor Caribbean nation?

Probe Ordered Into Presence of DPRK Ship

OW0511131394 Tokyo KYODO in English 1228 GMT 5 Nov 94

[FBIS Transcribed Text] Manila, Nov. 5 KYODO—The head of the Philippine police Saturday [5 November] ordered an investigation into the continued presence in Manila Bay of a North Korean cargo ship, earlier dismissed by officials as a "harmless" commercial vessel. Police director general Ricardo Sarmiento directed maritime forces and Manila police to monitor the 6,000-ton vessel and its crew, police said.

The ship has been docked at the Manila south harbor since last month and was scheduled to leave Saturday after unloading its cargo of beans from India. It was not clear why Sarmiento gave the order, or why government officials' suspicions have been aroused.

The South Korean Embassy earlier expressed apprehension over the presence of the ship with the upcoming visit to Manila on Nov. 10 to 12 of South Korean President Kim Yong-sam.

Diplomatic sources said South Korean Embassy officials had a meeting with Philippine diplomats last month, at which they recalled the 1983 bombing in Yangon, Myanmar [Rangoon, Burma], that killed 17 people including four members of the entourage of then South Korean President Chun Tu-hwan. South Korean leaders have expressed the view that North Korea was behind the attack.

Ramos Orders Resumption of Talks With Communists

BK0811083394 Quezon City Radio Filipinas in English 0230 GMT 8 Nov 94

[FBIS Transcribed Text] President Fidel Ramos has directed government peace negotiators to exert their best efforts to resume talks with leftist insurgents. The president issued the order after the government has confirmed Communist Party of the Philippines Chairman Jose Maria Sison, is still a Filipino citizen. However checks made by the Departments of Foreign Affairs and Justice confirmed that the head of the CPP negotiating panel, Luis Jalandoni is now a Dutch citizen. Despite this, Justice Secretary Franklin says the government will continue to deal with Jalandoni in seeking a peaceful settlement to the 25-year old communist insurgency. But Drilon said that the government will object if Jalandoni is one of the signatories in any formal peace settlement. Talks with the Netherlands-based rebel leaders was stalled last month because of differences over security and immunity guarantees.

Communist Chief Insists on Government Recognition

BK0911080694 Quezon City PTV-4 Television Network in Tagalog 0500 GMT 9 Nov 94

[FBIS Translated Text] The peace talks between the government and the National Democratic Front [NDF] will not resume unless the government changes its position. This was revealed by communist leader Jose Maria Sison in conjunction with his accusation against the government's continued adherence to its war policy against the rebels. The government has refused Sison's demand to give the NDF equal status.

Meanwhile, Sison's former counsel Congressman Joker Arroyo stressed that listening to Sison's demands is just a waste of time. Arroyo said Sison is not the leader of the communist movement anymore.

Abu Sayyaf Recruitment, Training, Plans Reported

BK0811082594 Manila MANILA BULLETIN in English 4 Nov 94 p AT-6

[FBIS Transcribed Text] Tungkil, Sulu—The training of new members of the dreaded Abu Sayyaf group is now going on in undisclosed areas of Sulu and Basilan, it was reported.

Luuk (Sulu) Mayor Ahmad Omar said that the new recruits of the extremist group are now undergoing rigid training on terroristic techniques in this province and Basilan. Omar said that the group is preparing to resume terroristic activities in some key cities in Mindanao.

The Abu Sayyaf group stopped its terroristic activities after government troops stormed with mortars and artilleries their hideout in Patikul, Sulu early this year. The mayor said some of the Abu Sayyaf recruiters posed as ustades [teachers/masters] and imams [prayer leaders of mosques] to gain the confidence of young Muslims. Omar also confirmed reports that Abu Sayyaf leader Ustadz Abdurajak Janjalani hardly gets out of his hideout. Members of the extremist group will continue to fight the national government to gain recognition, Omar said. Omar also suspected that some Islamic states are giving assistance to the extremist group.

Earlier, authorities in Zamboanga City had suspected Mahmud Afif Abdeljalil, International Relief Organization (IIRO) regional head, of financially supporting the extremist group.

Abdeljalil, a Jordanian, was arrested early this year by military and immigration officials in Zamboanga City but he was released a few days later. Abdeljalil has received funds amounting to millions of pesos directly from Islamic countries to finance infrastructure and livelihood projects in Muslim-dominated areas of Sulu and Basilan, it was learned.

Thailand

Government Likely To Back U.S. Stand at APEC

BK0911100894 Bangkok KRUNGTHEP THURAKIT in Thai 9 Nov 94 p 2

[Editorial: "Thailand's Stand on APEC"]

[FBIS Translated Text] Deputy Prime Minister Suphachai Phanitchaphak said on 4 November that the reason for the delay in the announcement of the Thai Government's stand in connection with the APEC [Asia-Pacific Economic Cooperation] summit meeting is that Thailand wants to gauge the attitudes of other countries first.

Such behavior is nothing strange for Thailand because it has been our tradition in implementing political and economic policies to avoid making unnecessary commitments without pondering their consequences.

Thailand's attitude on the APEC meeting has become clearer since Indonesia, the host of the APEC summit, with advice from President Suharto, completed the drafting of the joint communique to be issued at the end of the meeting. The draft statement hints that APEC will be turned into a trade group ready to compete with others such as the European Union. This is against the original principle of APEC. APEC is supposed to be a loose consultative forum.

Thailand does not agree with Indonesia in this regard. An economic adviser to Deputy Prime Minister Suphachai Phanitchaphak said: "Thailand opposes any move to form a new trade grouping, but it will cooperate with any scheme within the GATT framework."

The statement reveals the fact that Thailand is likely to agree with the United States to have APEC open its market, which will lead to free trade. The Thai Government knows that Thailand will have to carry some heavy burdens in the initial stage but will benefit in the long run.

The prime minister will probably declare Thailand's stance at the APEC meeting in Bogor, probably in a closed-door session, after which a joint communique will be issued to project the common stand of the majority of participants.

Judging from Thailand's attitude, we assume that Thailand is likely to agree with the United States in setting a timeframe for APEC trade liberalization and the lifting of all trade barriers. The idea will be opposed by China, Japan, and some ASEAN member countries such as Malaysia. They disagree because they believe that trade liberalization should be implemented gradually and that a timeframe is unnecessary.

These countries fear that trade liberalization will obstruct their economic development and they will not be able to catch up with developed nations such as the United States and Australia. In this regard, the Thai people are still unaware of the possible impact of the APEC summit's outcome.

Regardless the Thai Government's stand and the outcome of the APEC meeting, we appeal to the government to explain clearly to the people about the repercussions on our private sector so that we can make the necessary preparations and adjustments to conform with the government's policy.

Unlike people in developed countries, the Thai people do not know everything that the government knows. The advantages and disadvantages of the outcome of the meeting should be thoroughly spelled out for the people.

APEC Hosts Urged To Show Respect for Rights

BK0911061194 Bangkok THE NATION in English 9 Nov 94 p A6

[Editorial: "Respect for Human Rights Will Enhance Suharto's APEC Role"]

[FBIS Transcribed Text] There are at least 2,000 reporters, photographers and camera crew members in Indonesia for the Asia-Pacific Economic Cooperation (APEC) jamboree which began yesterday. In Jakarta, senior officials from APEC countries started their conference yesterday, while trade and economic ministers hold their annual meeting on Friday and Saturday. The APEC summit will take place in Bogor, 60 kilometres outside the capital, on Nov 15. An almost endless series of bilateral consultations will be woven into the programme.

For President Suharto of Indonesia, the hosting of the APEC summit is indeed a historical moment. The president wants his name to be remembered as one of the free-traders, alongside the United States and Japan. Because of this, the global media is being shepherded into capturing it on film—Suharto seated in the splendour of his Bogor palace, flanked by US President Bill Clinton and Japanese Prime Minister Tomiichi Murayama.

Meanwhile on Monday, an Indonesian court in Medan sentenced prominent labour leader Mochtar Pakpahan to three years in jail after convicting him of inciting worker violence which swept through northern Sumatera in April. The United States, through its Jakarta embassy, regretted the sentence and the Brussels-based International Trade Union Confederation said the decision was "engineered". Human rights groups have accused the government of trying to crush Pakpahan's fledgling union.

Indonesian workers lack the most basic of labour rights, the right of freedom of association. That right is restricted by the effective prohibition on unions other than the government-controlled All-Indonesia Workers Union (SERIKAT PERBURUHAN SELURUH INDONESIA or SPSI); the constant interference of the military in labour negotiations; and the harassment, arrest, torture and even murder of labour organizers. The May 1993 brutal rape and slaying of East Java labour activist Marsinah was a clear testimony of this.

The only serious challenge to SPSI has come from another organization with a similar acronym, SERIKAT BURUH SEJAHTRA INDONESIA or SBSI (Prosperous Workers Union of Indonesia), of which Pakpahan is one of the founder leaders. This January, SBSI claimed to have branches in every province of Indonesia and sent a letter to the Ministry of Manpower saying it now met all the requirements for being officially recognized as a union. In addition, it called for rise in the minimum wage to 7000 rupiahs a day (80 baht a day) and said it would call a one-hour general strike nationwide for Feb 11 if that demand was not met.

In April, the military blamed SBSI for fomenting the Medan labour unrest and formally arrested Pakpahan in August.

Indonesian academic Dr George Aditjondro told an audience at a Portuguese university last month that Pakpahan's arrest and the banning of three news weeklies in June were part of the Indonesian government's concerted attempt to silence all critics of the Suharto regime before the APEC summit.

Hours after addressing the University of Oporto symposium on East Timor on Oct 5, Dr Aditjondro was summoned by the Indonesian police to return to Jakarta immediately from Portugal, to answer charges that he had slandered Indonesia's "higher authorities" under article 207 of the Indonesian Criminal Code. The charge carries a maximum sentence of 18 months' jail.

The Clinton administration has come under tremendous pressure from labour and human rights groups both in the United States and abroad to address the violations in Indonesia. But whether Clinton will bring up the issue of human and labour rights when he meets Suharto at the APEC leaders summit next week remains to be seen. Washington's complicity with Indonesia, which it sees as a strategic partner, is well known. When Indonesia invaded the former Portuguese colony of East Timor in December 1975, the United States looked the other way and even defended Jakarta in the United Nations. Today, the repression in East Timor continues.

If Clinton's presidential campaign speeches are anything to go by, especially in his promise to address human rights violations in Indonesia and East Timor, now is the time to prove it.

Recently, the Indonesian government has taken some measures in response to criticism of its human rights record. It has invited UN human rights experts to visit East Timor.

It has allowed limited access by international human rights organizations to carry out fact-finding investigations. And it has made some legal reforms, as yet not enforced, in the area of labour rights. These steps are welcome, but they are not enough to break a long-established pattern of abuse.

There are still on-going violations of human rights in Indonesia, whether it is freedom of association in Medan or freedom of expression and assembly in East Timor.

These cases illustrate the pervasiveness of the harassment that ordinary Indonesians suffer on a daily basis.

If Indonesia wants to emerge on equal terms with the world's most powerful economies, it has to adhere to international norms of human rights.

Respect for human rights is the hallmark of good governance and delegates to the APEC summit should make this expressly clear to President Suharto.

Official Views Plans To Amend Treaty With U.S.

BK0911034994 Bangkok THE NATION in English 9 Nov 94 pp A1, A4

[FBIS Transcribed Text] The US government has agreed in principle with a Thai proposal to amend the Treaty of

Amity, a bilateral pact in force since 1966, which gives US businesses preferential treatment not accorded to other foreign-owned firms.

The decision was revealed after a meeting yesterday between Deputy Prime Minister Suphachai Phanitchaphak and US Ambassador to Thailand David Lambertson, according to Suphachai's adviser, Dr Tirana Phongmakhaphat.

Previously, US authorities had not shown any interest in amending the treaty despite a decision made by the Thai International Economic Relations Committee to push for revisions to the pact. The committee is chaired by Dr Suphachai.

According to Tirana, both sides now see the need for change. He reasoned that since the treaty came into force in 1966, there have been marked changes in the relationship between the two countries and in their respective economies.

Tirana, in his capacity as chairman of a subcommittee reviewing the trade agreement, said yesterday's talks would serve as the groundwork for further discussions scheduled for Nov 16, when US Secretary of State Warren Christopher is due to pay an official visit.

"When the treaty was signed, Thailand wasn't a member of the General Agreement on Tariffs and Trade (Gatt) while the US was already a member. The Gatt trade talks had not even been concluded," Tirana said.

According to Tirana, Thailand has two main objectives in pushing for amendments to the treaty: to ensure that Thai and US firms will enjoy the same benefits in each other's country, and to establish a new framework for solving bilateral problems.

"At the moment, when a problem arises, it is dealt with by only one representative from each country together with a neutral representative. That seldom works. We'll have to work out a better way," Tirana said.

One of the clauses to be amended is a redefining of treaty clauses concerning firms offering fiduciary services. This has arisen because of a dispute over a request by Universal Insurance Co Ltd for permission to open more branches in this country. The firm provides non-life insurance services, one of the services covered by the definition.

It seems likely that Universal Insurance will be allowed to open branches here even though it is an American-owned firm. Other foreign-owned insurance companies are still banned from opening branches in this country.

"We don't want to make use of the treaty but we have to protect the rights given to us in the treaty. However, the US is willing to admit to the amendment results," Lambertson said.

Thailand will also consider the addition of a special clause allowing it to offer privileges to countries with which it has trade agreements—countries such as members of the Association of Southeast Asian Nations (ASEAN) and neighbours like Laos. However, the clause would prohibit Thailand from giving similar privileges to other Gatt signatories.

"That will have to be altered or we'll end up going in a different direction to the rest of the world," said Tirana.

Cabinet Accepts Agreement To Set Up WTO

BK0911074394 Bangkok Radio Thailand Network in English 0000 GMT 9 Nov 94

[FBIS Transcribed Text] The Cabinet yesterday agreed to accept an agreement on the establishment of the World Trade Organization [WTO] to replace GATT next year as concluded in Marrakech, Morocco. The Marrakech agreement will be submitted to a joint House-Senate meeting for approval.

The Cabinet agreed to speed up amendments to nine related laws, especially on custom duties within a time frame in line with the formation of the World Trade Organization. It instructed all government agencies to realize Thailand's right and commitment to the world trade body.

The Cabinet told the Ministry of Foreign Affairs to submit Thailand's application for the World Trade Organization's membership once the joint House-Senate meeting approves the Marrakech agreement.

As a member of the WTO, Thailand will benefit from the expansion of international trade, especially in the agricultural, industrial, and service sectors.

Suphachai Urges WTO Membership

BK0911042194 Bangkok BANGKOK POST in English 9 Nov 94 p 32

[FBIS Transcribed Text] Thailand will not enjoy special rights under the General Agreement on Tariffs and Trade if it does not pass the laws necessary to become a member of the World Trade Organisation [WTO] by January 1995. This was the warning yesterday of Dr Tirana Phongmakhaphat, an adviser to deputy Prime Minister Suphachai Phanitchaphak.

Dr Tirana said it will be a "great boon to Thailand" if the legislative process can be speeded up so that the country can apply for membership on time. The special rights will give Thailand special export quotas and tax exemption when exporting to member countries.

The Cabinet yesterday went along with the Marrakech agreement in Morocco last April to consider a special agenda. It will assign the office of Juridical Council to consider a ratification draft for Thailand to become a WTO member. The Juridical Council will have only three and a half months to consider the matter.

Dr Tirana said that if consideration by Parliament can be made on time then under the transitional period the country will be exempt from the GATT regulations for two years, which is considered a great benefit. He said progress is slow as the translation of the GATT accord which Thailand endorsed in Morocco last April has to be scrutinized by the Juridical Council.

If Thailand cannot ratify membership by January 1, 1995 it will not become a WTO founder and will not get privileges.

He said the US is now considering withdrawing from GATT membership (it was among the founders in 1943) to be a WTO member. Member countries which do not apply to be a member of WTO at the same time as the US does will not get privileges from the US as it has reduced tax for WTO member countries.

After the Cabinet meeting yesterday the Cabinet agreed with the Marrakech agreement in establishing the WTO, according to the proposal made by the Ministry of Commerce.

Government Spokesman Aphisit Wetchachiwa said the agreement will be proposed to the parliament to consider and give approval on WTO establishment.

Thailand accepts the principle on laws concerning the protection of the operation of the WTO, and laws on customs rates. These issues will be put forward to the juridical council to interpret as soon as possible.

Concerned government organisations should consider the rights and commitments of Thailand under the WTO. As a result they should revise and amend their regulatory framework which is not in line with Thailand's position in the WTO.

Mr Aphisit said the Commerce Ministry has set up nine sub-committees from various government departments to examine laws and regulations on the role of Thailand in the WTO setting.

The sub-committee concluded that Thai laws allow the executive to use its judgement under the existing legal framework. Therefore, current laws could support the agreement.

Possible Reform of Economic Laws Examined

BK0811131494 Bangkok KRUNGTHEP THURAKIT in Thai 8 Nov 94 pp 1, 6

[Report by Aruni Phonnoi and Ratchaniphon Huangthong in Jakarta]

[FBIS Translated Text] The government does not really intend to amend Revolutionary Council Announcement [RCA] No. 281 specifically; it wants to reform all RCA's dealing with economic matters because they hinder current business practices, are outdated, and obstruct the operation of private sector businesses.

The world trade situation has changed, particularly with the conclusion of the GATT negotiations late last year. Most governments are now in the process of ratifying the final GATT accord.

As a GATT member seeking to achieve the goal of becoming a newly industrialized country, Thailand must reform its applicable laws in line with the GATT and the change in the world trade situation.

For the most part, RCA No. 281 lists the types of businesses that foreigners are not allowed to engage in. If they want to engage in these businesses they must seek government permission. There are a total of three lists, and they cause considerable difficulty for foreign businessmen seeking to invest in Thailand. Many foreign businessmen have been able to engage in prohibited businesses in Thailand, however.

At first all sides agreed with the reform of RCA No. 281, as shown by the first seminar held at Government House, when the private sector—led by the Board of Trade of Thailand—expressed its support.

Opposition arose afterward, however, because foreign chambers of commerce feared that a reform of some of the clauses could obstruct existing foreign businesses and serve to discourage new foreign investment. A letter was sent to the government requesting a review of the draft reform of RCA No. 281.

The United States is also concerned about this reform, as well as the amendment of the Thai-U.S. Treaty of Amity. The prime minister was also asked about this matter when he delivered an address at the Japanese Chamber of Commerce before his visit to Tokyo.

Statistics obtained from the Commercial Registration Department in August 1991 showed that 80 U.S. firms were conducting business under List C of RCA No. 281, with a total investment of 25.01782 billion baht. Of the 80 firms, 41 were operating representative offices. The biggest investment—11.88036 billion baht—was in information and liaison services.

Thailand will face a difficult task in using the opportunity presented by the APEC [Asia-Pacific Economic Cooperation] meeting to hold trade talks with the United States, particularly on the reform of RCA No. 281 and the Amity Treaty. This is because the United States cares more about the privileges it currently enjoys than it does about a small country like Thailand, which must still rely on GSP [Generalized System of Preferences] for some of its exports.

The government does not have to listen to anyone if it feels that the reform of RCA No. 281 is correct and compatible with the GATT accord, does not affect existing foreign businesses, and does not discourage foreign investment. This is because the government has the full right to reform domestic laws such as RCA No. 281. This is no different than the enactment of a protectionist trade law by a certain country without consulting its trading partners beforehand.

If U.S. businessmen want to invest in Thailand, they will have to comply with the new Thai law. Thai investors must comply with the laws of the countries in which they invest.

It is the privilege of the government to enact laws to facilitate the proper and straightforward operation of businesses and ensure that local and foreign investors operate on a level field.

Official Praises Crackdown on IPR Violations

BK0811084894 Bangkok THE NATION in English 8 Nov 94 p A5

[FBIS Transcribed Text] Hampered by the complications of enforcing intellectual property laws, the Intellectual Property Department (IPD) often finds itself concentrating its resources and efforts on the suppression of one violation at a time, the departmental head said yesterday.

IPD Director General Suchai Chaowisit said the department has the function of supervising three intellectual property laws—those dealing with copyrights, trademarks and patents. He said the public agency functions independently of any pressure from the international community.

The department has created the Coordinating Centre for the Suppression of Intellectual Property Rights Violations, which for the past year has coordinated with the Police Department and the Customs Department to crack down on infringements involving pre- recorded tapes and videotapes. He said the centre's efforts had earned international recognition.

On the suppression front, Suchai said the department has to depend on the police, particularly the Economic Crime Investigation Division, for support in cracking down on intellectual property violations.

He said the division has a staff of only 30 people who, in addition to intellectual property rights assignments, are also needed for other economic crime suppression. He said their work leaves them overstretched, with crackdowns from Chiang Mai in the North, to Phatthaya and Bangkok and to Hat Yai in the South.

The IPD chief said the department could pride itself on its 1994 violation crackdown efforts in which about 80-90 percent of suspected wrongdoers were prosecuted. He said that even by international standards, this success rate was no small achievement.

"One must accept that there is no such thing as 100 per cent effectiveness in cracking down on intellectual property rights violations, even in the country of the property owner," he said.

The law formerly categorized intellectual property rights violations as criminal, but they will no longer be confined to that category alone when the recently-passed new law becomes effective, he said.

Instead, intellectual property rights violation victims will be able to sue in civil court those who have violated the rights if the victims feel the criminal action already taken against the wrongdoers was inadequate, he said.

Suchai compared the inability of the law to eradicate intellectual property rights violations absolutely to the existence of murder cases, even though the law metes out capital punishment to murderers.

Under these circumstances, he said, the best the department can do is try to minimize the incidence of violations by constant crackdowns and by efficient cooperation with the police.

Another area that deserves attention is properly educating the pubic on the virtues of long-term respect for intellectual property laws.

Even though the new law will give the department greater authority to pursue violators, its officials will still be hampered by the fact that they have to depend on the chronically-understaffed Economic Crime Suppression Division police for enforcing the laws, Suchai said.

"Ever since I took office (as director general) at the department one year ago, there has never been any pressure exerted on us by the international community to implement the intellectual property rights laws," he said.

Suchai said Thailand needs to have laws that are truly on par with international standards. He said this would ultimately benefit the country.

"We need to have laws that are international in character. And we need them not only in the area of intellectual property protection but in international investment incentives and other aspects," he said.

He said Thailand is now obligated as a member country of the General Agreement on Tariffs and Trade (Gatt) to internationalize four other areas of the law regarding trade secrets, horticultural protection, geographical nomenclature and integrated circuit protection. Under the Gatt agreement, a member country is allowed five years to implement the legislative changes.

IPR Cooperation Sought With PRC, Burma, Cambodia

BK0911081894 Bangkok Radio Thailand Network in English 0000 GMT 9 Nov 94

[FBIS Transcribed Text] Thailand takes a move to cooperate with China, Myanmar [Burma], and Cambodia in intellectual property protection after it has concluded intellectual property protection agreements with Vietnam and Laos.

The Ministry of Commerce told the Cabinet yesterday that it has launched a project to sign memorandums of understanding on intellectual property protection with countries in the Mekong basin. The project is designed to create a favorable atmosphere conducive to trade and investment expansion in the region.

Thailand signed the memorandum of understanding on the issue with Laos in August this year. The memorandum calls on the two countries to respect and protect patterns and industrial designs and trademarks. Both countries agreed to meet at least once a year to evaluate progress on their cooperation in this respect. Thailand is scheduled to sign such a memorandum with China this month.

Chuan Comments on Australian Allegations

BK0811140394 Bangkok Thai Color Television Channel 9 in Thai 1200 GMT 8 Nov 94

[FBIS Translated Text] The prime minister has said that Thailand is being made a scapegoat in connection with the Australian allegations about Thai support for the Khmer Rouge. He said that the Khmer Rouge murder of the Western hostages, including an Australian, was the product of those Western countries' policies toward Cambodia. The problem in Cambodia is an internal dispute among Cambodians:

[Begin recording] My information is that this became an issue because the Australian Government has been the target of considerable criticism. The Australian Government has been helping the Cambodians, and as a result it has been criticized by the Australian people. I have learned that the Australian leaders are trying to defend themselves from this criticism. Thailand has become the scapegoat, being accused of providing assistance to help the Khmer Rouge survive. Thai soldiers and businessmen have become the eventual victims.

I wish to point out that Australia and the United States usually avoid making accusations against the Thai Government because they know that the Thai Government's policy is clear—it does not support the Khmer Rouge. [end recording]

The prime minister has instructed the Foreign Ministry to seek evidence from Australia on Thai assistance for the Khmer Rouge. If evidence exists then any Thais involved will be dealt with drastically. If there is no evidence then the Australian Government must do something, because its accusation has damaged Thailand. He will bring this issue up for discussion with his Australian counterpart during the APEC [Asia-Pacific Economic Cooperation] meeting in Indonesia.

Thaksin Demands Clarification

BK0811051694 Bangkok THE NATION in English 8 Nov 94 p A4

[FBIS Transcribed Text] New Foreign Minister Thaksin Chinnawat yesterday said he has demanded clarification from the Australian Embassy here over Australian Foreign Minister Gareth Evans' Australian television broadcast accusation that Thailand had sheltered Khmer Rouge guerrillas on its soil.

Australian Ambassador Cavan Hogue has been summoned to explain. Evidence should be produced to back up the allegation, said Thaksin.

The foreign minister yesterday denied Evans' accusation on Thailand's alleged harbouring of the Khmer Rouge.

"I reaffirm that Thailand has not given shelter to the Khmer Rouge as alleged by Australian Foreign Minister Gareth Evans on Sunday," Thaksin told reporters before joining his first meeting of economic ministers yesterday.

Army Commander in Chief Gen Wimon Wongwanit yesterday described the accusation as being based on misunderstanding.

"In fact, I do not want to be engaged in a dispute with another country. But sometimes I have to do something to protect the nation's dignity. Thais and foreigners have the same amount of dignity, and I don't believe they are more intelligent than us," he said.

Foreign Ministry Permanent Secretary Pracha Khunakasem said in a separate news conference yesterday that Australia raised the issue because of the murder of three foreigners, including Australian David Wilson, by the Khmer Rouge, who had been holding them hostage since July.

Supreme Commander Gen Wathtanachai Wutthisiri also denied the accusation yesterday.

"I had already ordered an investigation into all branches of the military and there was no proof of any involvement in this area."

Accusations that unruly Thai military officers were pursuing their own interests in forestry and gems ventures along the border with Cambodia were groundless, he said.

Prime Minister Reviews Mid-Term Successes

BK0511115594 Bangkok BANGKOK POST in English 5 Nov 94 pp 1, 3

[FBIS Transcribed Text] Prime Minister Chuan Likphai said yesterday he would not mind if his government did not last the four-year term, but must adhere strictly to the principles of righteousness and democratic rule. He said it was difficult to say if his administration would last its full term because democracy had only just been settled in Thailand.

"We are a coalition government of five parties, so everything is not easy," said the prime minister.

But he said the working relationship in the past two years among coalition partners has been smooth.

"Although not 100 per cent smooth, we managed to reach a consensus on almost every issue. Although sometimes there were problems, we understood one another quite satisfactorily," said Mr Chuan during a question-and-answer session following a press conference at Government House. He said when his Government took over, the country's economy was in bad shape and the image was poor with tourists believing it was unsafe.

"The problems were waiting to be resolved. There was also the judicial conflict and many other problems," he said. The prime minister said tasks were challenging and his government had to work hard, fully aware it did not have absolute power vested by Article 17 of the Constitution enjoyed by previous governments. He said it would be a long time, "probably after my political career," before Thailand has a government made up of a single political party.

"This is a reality which I have been witnessing as a Thai citizen. I have tried all along to follow the democratic path in my work although many feel this path is too slow," said the prime minister.

He said he was satisfied "to a certain degree" with the Government's performance over the last two years. He admitted there were several things which did not proceed as fast as he wished. "But I know these constraints are normal in every democracy," he said.

"This government has never hurt its critics, never hit them on the head because we treat them all with honour. About the question if my government will last its four-year term, I have never said it will last four years because I realise there is no certainty in this political system. What is certain is the uncertainty of the parliamentary system."

He said he was satisfied with increasing public confidence towards the democratic system that it is possible for this country.

Mr Chuan said although it looked as if his government would have to start anew after the major reshuffle, he believed newcomers are determined to work for the interest of the country.

"Every minister has the right to take pride or feel sorry for the work done in the past two years. But for the rest of the term, we will try our best," he said.

Commenting on traffic woes in Bangkok, the prime minister said the problem stemmed from over-population in the city, mainly due to migration of people from the country.

He said since it was impossible to forbid rural people from migrating to the city to seek "a better life", it was possible to stem the migration flow by "decentralising" prosperity and development.

Responding to a question about the persistent suspicion that Thailand implicitly supports the Khmer Rouge, the prime minister said his government had stated more than once it recognised the legitimate government In Cambodia. Thailand, he added, follows a United Nations resolution.

The prime minister also said any Thais found to be involved in the abortive coup in Cambodia would be dealt with "without any exception". He said the misunderstanding of Thailand's position towards the Khmer Rouge stemmed from fighting inside Cambodia between government and guerrilla forces.

"When the Cambodian government forces were defeated in the battle field, they put the blame on us by charging that we supported the guerrillas," said the prime minister.

He said it was impossible for Thai and Cambodian people to stop communicating when the international community suddenly banned the Khmer Rouge, just as it was impossible for Thai and Burmese people to cease contact.

The prime minister also defended the policy of "constructive engagement" with the military regime in Burma. He said the policy was adopted by ASEAN and succeeded, to some extent, in opening the hermit state to the outside world and relaxing its iron-fisted rule on its people.

Mr Chuan said he felt he aged considerably during his two years as premier. "My weight remains unchanged—it does not go up or down." But he said he had had one expectation which was different from others. He said some people thought his administration would not last for six months. But he had proven his government could survive for two years.

Earlier, he spent 35 minutes talking about what he claimed to be mid-term successes his government has made.

Mr Chuan claimed at least 69 per cent of this year's budget was distributed to provincial and rural areas throughout the country to finance construction of facilities, including four-lane roads running through all regions. The premier pledged to keep money flowing to rural areas. Laterite roads are being replaced by asphalt to keep provincial communities cleaner, he said.

The Government continued to promote jobs in the country, he said, as part of a prosperity and income distribution scheme particularly in the so-called Zone 3 which covers 60 provinces.

More requests for promotional privileges with the Board of Investment have been lodged by various industrialists over the past months, he confirmed.

The government was satisfied with the promotion of education as more than 90 per cent of children are studying up to the Po 6 preliminary level, he said.

The government has given 1.7 billion baht for all school children up to the preliminary level to drink free milk, he said. He said over 60 per cent of the population is in the farming sector—the most impoverished people. The occupation of land for farming has been the first task of the government, he said. Previous governments over the past 18 years had reformed 3.3 million rai of land but the Government now wanted to reform 4 million rai a year, the premier said. He said more than 10 million rai of land has already been reformed for poor farmers since he took office. And all farmers would be given land for farming in the near future, he said.

The farming structure of the country has been improved with the Bank of Agriculture and Agricultural Cooperatives extending some 10 billion baht for soft loans with a 5 per cent interest rate since early this year, he said.

The Prime Minister's Office has provided about 50 million baht to help farmers repay debts while the Agriculture and Finance ministries have taken measures to remove farmers from thousands of millions of baht worth of illegal debts.

Cottage industries have been promoted among farmers to make extra earnings with the help of the Agricultural Extension Department and the Industry Ministry, he said.

The current administration was successful in establishing the Labour and Social Welfare Ministry to see that justice be served between employers and employees. And economic growth has been assessed at 8.2 to 8.4 per cent against a 5 per cent inflation rate by the end of this year, giving farmers more purchasing power.

Capping his prepared speech, Mr Chuan repeated his reputed slogan: "My government cannot make everybody equally rich but equally treated by law."

Vietnam

Cuban Armed Forces Commander Arrives on Visit

BK0811154794 Hanoi VNA in English 1446 GMT 8 Nov 94

[FBIS Transcribed Text] Hanoi VNA Nov. 8—A high-ranking military delegation of Cuba headed by Lt. Gen. Ulises Rosales del Toro, commander-in-chief of the Revolutionary Armed Forces, arrived here this afternoon, beginning a 13 day official visit to Vietnam.

Shortly upon his arrival, Lt. Gen. del Toro was received by his Vietnamese counterpart, Sr. Lt. Gen [Senior Lieutenant General] Dao Dinh Luyen, who is also vice minister of defence. The Vietnamese senior officer expressed his hope that the visit would make an active contribution to the further consolidation and promotion of the traditional friendship and fraternal solidarity between the two armed forces. He noted that Cuba and Vietnam are close friends in war time as well in peace time and the Vietnamese people and armed forces have always kept in their minds the assistance and fine sentiment Cuba has extended to them.

Lt. Gen. del Toro, who is also Politburo member of the Communist Party of Cuban Central Committee and first vice minister, expressed his proud to visit the heroic country of Vietnam and his belief in the fine results of his current Vietnam visit.

A banquet was given this evening by Sr. Lt. Gen. Dao Dinh Luyen in honour of the Cuban military delegation.

Deputy Premier Receives Japanese Businessman

BK0811153594 Hanoi VNA in English 1334 GMT 8 Nov 94

[FBIS Transcribed Text] Hanoi VNA Nov. 8—Deputy Prime Minister Tran Duc Luong received here this afternoon Mr. Koichi Takashima, chairman of the Kyoei Steel Ltd. of Japan now on a working visit to Vietnam.

Kyoei Steel Ltd. has entered into a joint venture with Vietnam in the construction of a 240,000 ton-year rolling mill in the southern province of Ba Ria-Vung Tau. The mill is expected to be operational early September next year.

The Kyoei chairman informed the deputy prime minister of his company's project to together with the Vietnamese partner build another mill in Danang, central Vietnam.

For his part, Deputy Prime Minister Tran Duc Luong assured the Japanese industrialist of the Vietnamese Government's readiness to create good opportunities for his company to promote its cooperation with Vietnam in the field.

Japan To Finance Study of Airport Development

BK0811154594 Hanoi VNA in English 1437 GMT 8 Nov 94

[FBIS Transcribed Text] Hanoi VNA Nov. 8—Vietnam and Japan has agreed to start a feasibility study on a new development plan of Hanoi International Airport.

To this effect a signing ceremony was held here today between Mr Dao Manh Nhuong, deputy director of the Civil Aviation Administration of Vietnam (CAAV), and Mr Yuji Kitani, representative of the Japan International Cooperation Agency (JICA).

The study financed by Japan within its ODA [official development assistance] fund is scheduled to start next year and will be completed in 14 months.

The study will present a feasible and comprehensive development plan for the expansion of the Hanoi airport, which will by then consists of terminal buildings for international passengers, runways, operation and maintenance systems and other necessary facilities.

Party Official Receives PRC Newspaper Delegation

BK0911130494 Hanoi VNA in English 1216 GMT 9 Nov 94

[FBIS Transcribed Text] Hanoi VNA November 9—Mr. Nguyen Duc Binh, secretary of the Communist Party of Vietnam Central Committee [CPV CC], received here yesterday afternoon a delegation from the Chinese PEOPLE'S DAILY [RENMIN RIBAO] now on a working visit to Vietnam.

The Chinese delegation is led by Deputy Editor-in-Chief Bao Yuzhen of the PEOPLE'S DAILY.

At the reception Mr. Binh, who is also a Politburo member of the CPV CC, stressed on the significance of the broadening of relations between the Chinese PEOPLE'S DAILY and the Vietnamese national daily NHAN DAN, the two organs of the Chinese and Vietnamese Communist Parties.

This visit was another fine indication, said Mr Binh, as it made at a time when the Vietnamese are preparing to welcome a forthcoming Vietnam visit by a Chinese high-level delegation headed by President Jiang Zemin, which will further consolidate and promote the traditional ties between the two parties and peoples.

Earlier, the Chinese delegation had working sessions with officials of the NHAN DAN newspaper.

Radio Views Visit by Canadian Prime Minister

BK0911135294 Hanoi Voice of Vietnam in English 1000 GMT 9 Nov 94

[Station commentary]

[FBIS Transcribed Text] The Canadian ambassador to Vietnam, Ms. Cristine Deloges, has officially announced in Hanoi that Canadian Prime Minister Jean Chretien will visit Vietnam from 16-18 November. She described this as an important step in the development of friendship and cooperation between Vietnam and Canada. The Voice of Vietnam has this comment:

As the Canadian ambassador said, this is an important event in the bilateral relationship since the two countries established diplomatic relations. It will create conditions for further development of the comprehensive cooperation between the two countries. The prime minister will be accompanied by representatives of 35 Canadian trading companies who are very interested in investment and business in Vietnam. It is anticipated that there will be positive changes in bilateral relationship following this trip to Vietnam by the Canadian prime minister. The two sides will sign a trade agreement to boost bilateral trade ties. Besides the visit to Vietnam by the Canadian prime minister, the two countries will carry out a number of activities in diplomacy, trade, culture, and cooperation for development, including art performances and trade exhibitions all before the end of the year. Developments between Vietnam and Canada have entered a new stage.

Government Denies Reports of Buddhist Arrests

BK0911095794 Hong Kong AFP in English 0920 GMT 9 Nov 94

[FBIS Transcribed Text] Hanoi, Nov 9 (AFP)—The Vietnamese government Wednesday slammed reports by exiled dissidents that police carried out a wave of arrests in Buddhist areas of Ho Chi Minh City, describing the claims as "false".

The foreign ministry also denied that the reason behind the alleged arrests was to prevent members of the Unified Buddhist Church of Vietnam [UBCV] from distributing aid to victims of the recent floods in the southern Mekong delta.

The accusations were made in a statement received in Hanoi from the Vietnam Committee on Human Rights, which said that more than 10 Buddhist monks and worshippers had been arrested and questioned in the southern city last weekend. The Paris-based organisation said that police were preventing aid from reaching victims of the flooding, which last month claimed 308 lives and left half a million people homeless.

A foreign ministry spokesman told AFP that "the aid operation was organised by Fatherland Front Committee, a communist party body, to assure efficiency and to avoid wasting resources."

To profit from natural disasters by making untrue allegations aimed at causing trouble... is a criminal act against the people", he said.

The human rights committee and the government frequently trade accusations and denials in what has become a growing war of words between exiled Vietnamese and the communist authorities in Hanoi.

Officials normally refuse permission for foreign journalists and human rights activists to visit dissident monks or to visit UBCV pagodas so it is not possible to verify the government's statements.

Ceremony Marks Opening of Dai Hung Oil Field

BK0811153294 Hanoi VNA in English 1330 GMT 8 Nov 94

[FBIS Transcribed Text] Hanoi VNA November 8—A ceremony to mark the first quantity of oil pumped from the Dai Hung (Big Bear) oilfield was held here yesterday evening.

The ceremony, held by the Vietnam Oil and Gas Corporation (PetroVietnam) in collaboration with international companies involved in the exploration and exploitation of Dai Hung oilfield, was attended by Vice State President Nguyen Thi Binh, Deputy Prime Minister Tran Duc Luong and many other senior government officials and representatives of PetroVietnam, BHP

Petroleum (Australian), Petronas-Carigali (Malaysia), Total (France), Sumitomo (Japan), Zarubenzneli (Russia) together with their diplomats in Vietnam.

The Dai Hung oilfield, located on the southern continental shelf 250 kilometres from Vung Tau was discovered by Vietsovpetro years ago. To advance the exploitation of the oilfield, on April 16, 1993, PetroVietnam signed a production sharing contract with the international group who won the bidding for the exploitation of Dai Hung. The bidders include BHP, Petronas, Total, Sumitomo, with BHP Petroleum as the operator.

After 18 months of development, at 2245 on October 14, the first quantity of oil was pumped from the Dai Hung oilfield, opening the period of exploitation of Vietnam's second oil field.

Australia

Trade Minister: U.S. Elections To Affect APEC

BK0911055094 Melbourne Radio Australia in English 0500 GMT 9 Nov 94

[FBIS Transcribed Text] Australian Trade Minister Bob McMullan says the United States midterm congressional elections will have an impact on the forthcoming meeting of the Asia Pacific Economic Cooperation group [APEC]. Senator McMullan, who leaves tomorrow for the APEC summit in Indonesia says the chances of APEC leaders reaching an agreement on free trade in the region are better than 50-50, but he says an agreement is still far from certain.

Sen. McMullan says Australia will be watching with interests how the U.S. congressional elections proceed. He says there is no doubt the outcome will affect the APEC meeting.

[Begin McMullan recording] It must influence the climate within which President Clinton operates at the meeting. I do not think it is going to have the same dramatic effects like we need legislation in the next two years and the outcome of the congressional election will affect it, but it must affect the strategic thinking for the president—maybe as a plus, maybe a minus. We do not know, but it will affect the climate at Bogor. [end recording]

Keating Cites Benefits of Regional Free Trade

BK0711151694 Sydney THE AUSTRALIAN FINANCIAL REVIEW in English 27 Oct 94 p 3

[Report by Peter Gill]

[FBIS Transcribed Text] The Prime Minister, Mr Keating, has brushed aside Chinese concerns over a free trade timetable for the Asia Pacific region and flagged his strong support for such an outcome when APEC [Asia-Pacific Economic Cooperation] leaders meet in Indonesia next month.

Mr Keating declared that free trade in the Asia Pacific region would deliver economic gains to Australia "several times" those of the recently completed round of world trade discussions—which promised a $3 billion [Australian dollars] annual boost in exports.

Describing the APEC leaders summit in Bogor, Indonesia, as the most important meeting to be held in South-East Asia for 40 years, Mr Keating said a decision to achieve free trade in the region could "underwrite Australia's future". It would also hasten a new round of world trade negotiations.

Mr Keating drew several previously disparate economic, political and strategic threads together around APEC in his address last night to the Asia-Australia Institute in Brisbane.

He also gave a spirited defence of the Government's relationship with Indonesia. Without specifically nominating Indonesia but in referring to "Australia's neighbours", Mr Keating said there was "no question that human rights are abused, by any standards. Picking our way through this moral thicket is one of the most difficult things we have to do."

He added: "But I am utterly convinced of one thing. We will get much further in advancing human rights by talking to our neighbours than by shunning them."

Mr Keating implicitly rejected concerns on Tuesday [25 October] by a senior Chinese trade ministry official, Mr Li Enheng, that Beijing could not accept a fixed timetable by which all trade barriers would be lowered.

Senior advisers to the APEC leaders have recommended 2010 and 2020 as possible dates by which free trade could be achieved.

"For our part, what we hope to see come out of Bogor is a commitment to free trade in the APEC region by a realistic date, in a GATT-consistent manner," Mr Keating said. "I'm not worried about the end date we set, so long as it is not too distant. The main thing is to get the political commitment to make a start."

With business factoring further trade liberalisation into its decisions, "the momentum builds up and becomes unstoppable".

Mr Keating said regional "free trade"—the content and form of which has never been spelt out by him or any of his ministers—"can substantially underwrite the democratic, rich and dynamic nation we want to be in the 21st century".

Mr Keating reminded his audience that the US remained a formidable economic power and was also central to the region's security with its "balancing military presence" available in time of crisis.

At present we have a highly unusual situation in which the world's second largest economy, Japan, is a strategic client of the world's largest economic power, the United States," he said.

"This is unprecedented historically. Try to imagine Britain and Germany being in such a position early this century. And all our interests—those of the United States, Japan, Australia and the other countries of the region—are served by the preservation of this relationship of strategic co-operation."

Commentary Urges Government Aid for Cambodia

BK0711161394 Sydney THE AUSTRALIAN FINANCIAL REVIEW in English 28 Oct 94 p 31

[Commentary by Geoffrey Barker: "Cambodia Deserves Immediate Military Aid"]

[FBIS Transcribed Text] The reported death of Australian hostage Mr David Wilson will, if confirmed, clear the way quickly for the provision of Australian non-lethal military aid to the Cambodian Government.

It will also inevitably prompt questions about the wisdom of providing military aid (non-lethal or lethal) to a Government that remains endemically corrupt, divided and drifting 18 months after its election.

In a real sense, how Australia responds to Cambodia's requests for military aid now will be a litmus test of the declared determination of the Prime Minister, Mr Keating, to be "uncompromising, unfailing, tenacious" in engaging with Asia.

Canberra has been ready for two months to approve a package of non-lethal military aid, but the Minister for Foreign Affairs, Senator Evans, has been reluctant to act because of fears for Mr Wilson's safety at the hands of his Khmer Rouge [KR] captors.

Having assured Mr Wilson's parents that the Government would do everything possible to secure his safe release, Senator Evans could not approve the package despite the Government's conviction that it is a necessary and justifiable extension of the role played by Australia in the peace process and the subsequent massive UN peace effort in Cambodia.

Now, perhaps, the main challenge facing the Government is to exorcise the ghost of Vietnam that still rises to haunt Australian foreign and security policy. To propose Australian military aid to Cambodia is to provoke warnings about the dangers of being drawn into an unpopular Asian land war.

"Now is not the time to provide lethal military assistance or to support a military solution to a predominantly political problem. Australia should not play the Khmer Rouge game by internationalising what is essentially a domestic Cambodian problem," said associate professor Carlyle Thayer of the Australian National University.

Writing in PACIFIC RESEARCH, the journal of the university's Peace Research Council, Professor Thayer raises issues that were at the heart of the debate over our involvement in Vietnam: the support enjoyed by the insurgents, the unpopularity of the Government and the ineptitude of the army.

These are issues with powerful emotional resonance for Australians who remember Vietnam. But Cambodia is not Vietnam. Prime Ministers Ranariddh and Hun Sen are not Thieu and Ky, the Khmer Rouge is not the Viet Kong the Cambodian Army is not the ARVN [Armed Forces of the Republic of Vietnam]. The nation is not divided; there is no Cold War background.

Furthermore, for all its inadequacies, the Royal Cambodian Government was elected in May 1993 by nearly 90 per cent of the Cambodian population, in defiance of the Khmer Rouge, and in peaceful UN-supervised elections universally judged to have been free and fair.

The elections marked the end of years of tragedy for Cambodia, one of the saddest victims of the Cold War and the Sino-Soviet split. It was traumatised by China's support for the genocidal Khmer Rouge which ruled from 1975 to 1978, and by Soviet support for neighbouring Vietnam which invaded in 1978.

From the early 1980s, the efforts of the then Australian Foreign Minister, Mr Bill Hayden, and subsequently Senator Evans, were crucial in pushing the UN peace process which led to the 1991 Paris agreements, the massive peace-keeping effort and the elections of 1993.

The process was imperfect; expectations of the Royal Cambodian Government were unduly optimistic. But at least the foreign players—notably Vietnam and China—were dealt out of the game and Cambodians were given a chance to work out their own future.

A major factor working against political, economic and social progress in Cambodia now is the refusal of the Khmer Rouge to accept the outcome of the elections and its continuing insurgency in the countryside.

Others, obviously, include the appalling state of the army and the endemic greed, corruption and paralysis in the Royal Government—all graphically detailed in the leaked cable from former Australian ambassador Mr John Holloway to the Department of Foreign Affairs and Trade last June.

Australia has already invested heavily in Cambodia's future. Its role in the peace process and the UN effort (headed by Australian General John Sanderson) has been followed by continuing civil aid commitments, including a 1994-95 Budget pledge of $92 million [Australian] over four years.

There is no chance of the Khmer Rouge reasserting control over Cambodia. They are a small force, greatly outnumbered by the Cambodian army—but fears of Pol Pot's bloody rule are still strong nearly 20 years later.

But the KR control is spreading in some rural areas, and instability and uncertainty produced by the insurgency is discouraging the economic investment and social development required for progress in Cambodia.

To counter the KR, Cambodia needs to turn its large army from an undisciplined rabble into a reasonably intelligent force with a sense of national purpose and the ability to contain the KR while economic development gets under way. At present the army's tendency to rape and pillage makes it the KR's best friend in the countryside.

The Australian Government proposes to help train and reorganise Cambodian officers and men, to convert them into a disciplined force. With proposed inputs from the US, France and Malaysia, Australia could be instrumental in transforming the Cambodian army. Far from "playing the Khmer Rouge game", Australian aid could help tip the balance firmly against the KR.

Even John Holloway, for all his cynicism about the Royal Government, urged Canberra not to lose its nerve over military aid to Cambodia. Australia is a trusted friend of Cambodia—and the apparent deaths of David Wilson, Kellie Wilkinson and their friends are testimony to the KR's ruthless determination to undermine Cambodia's fragile democracy. Australia should not shrink from helping a friend, however flawed, to resist such malign adversaries.

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